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FAR EASTERN ECONOMIC REVIEW

Vol. XVII Hongkong, August 26, 1954. No. 9

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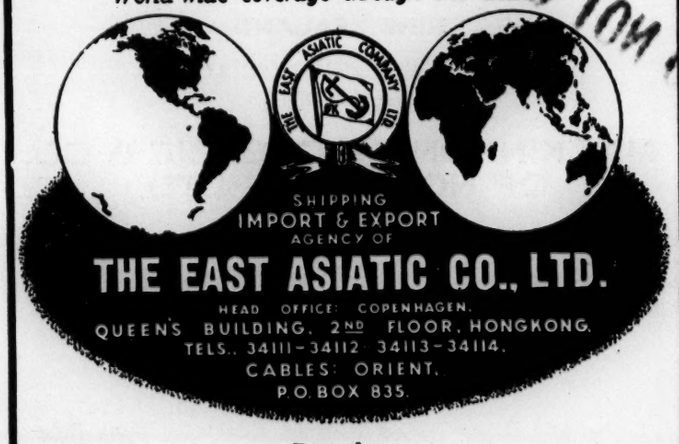

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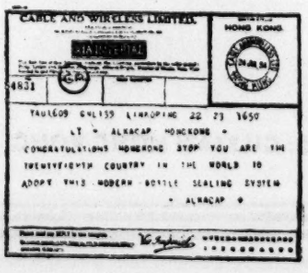
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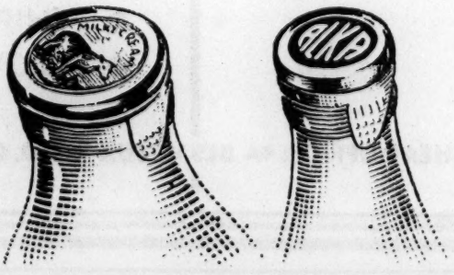

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CONTENTS

	Page
Editorials	
Consumer Co-operatives in China	257
China's Foreign Trade and Prospects for HK & Britain	260
Japan	
Japan's Air Transport and Aviation Industry (Kazuo Takita)	265
Population of Japan (Ayanori Okazaki)	269
Indonesia	
Planning and Development in Indonesia	272
The Indonesian National Bank (A. Karim)	274
Progress in Kalimantan	275
The Growth of the Indonesian Language	276
Articles & Reports	
Economic Reports from the US (E. Kann)	279
Hongkong	
Agriculture, Fisheries & Forestry of HK (W. J. Blackie)	280
ALKA Bottle Caps for the Far East	284
HK Share Market	285
China Foreign Trade Statistics	
China's Trade with Japan, West Germany, France, Italy, UK and HK	286
HONGKONG TRADE SUPPLEMENT (No. 3)	
Trade for July and First Seven Months of 1954	33

CONSUMER CO-OPERATIVES IN CHINA

Just before the first National Congress of the Co-operative Societies opened in Peking in the latter part of July, the State commercial departments in Shanghai and elsewhere put the screw on the remaining private retail shops and forced them to buy only from State wholesalers. It was estimated that some 2,000 of these shops were still outside the Socialist fold, and so they got their orders. They represented a wide range of goods: rubber, timber, woollen yarn, groceries (for the moment only sugar), cotton cloth, paper and other general goods. The State Corporations got all of them by the scruff of the neck and they had no option but to undertake to take all their supplies from them.

If there is one thing all Chinese except bureaucrats are good at, it is retailing and shopkeeping. It is to be doubted whether the Chinese have any superiors at that anywhere in the world. So it was hardly sufficient to justify this action on the ground of mere theory. Nor could it be explained on the score of private inefficiency. The private retailers were thus accused of all kinds of malpractices. Indeed there was scarcely a single villainy known to shopkeepers the world over that did not have its finest exemplars in the humble shopkeepers of Shanghai and other cities. They passed off inferior goods for good ones; adulterated their merchandise; gave bad measure; made excessive profits, and even hoarded—as everybody is doing!

But now all is well again. They will buy from the State alone, sell precisely according to prices fixed by the State Corporations, whereby the difference will go, not to the State Corporations or the exchequer, but actually to the consumer! Indeed in Shanghai alone this bounty is expected to reach 300 million yuan on rubber shoes alone and 160 million yuan on sugar. And though everybody complains (according to the same Communist papers) that they cannot buy anything any more, or at any rate cannot get enough to meet their requirements, it is insisted that under this new dispensation consumers will find it easier to buy goods! Actually they gave a trial to buying direct from the Corporations, such as the Timber Corporation, but found that this was so hopeless that more and more retail shops were required to overcome the bureaucratic system. Now these shops revert to what the Communists call State Capitalism, which is the sort of fattening-up process before they are eaten up by the Communist Economic Colossus!

Not only have the consumer co-operatives failed to measure up to the immense responsibilities showered upon them as a result of the State monopoly of distribution and supply of consumer goods: they have also shown a deplorable indifference to the actual needs and preferences of the peasants. Thirty years and more after the Soviet Revolution this is still one of the crying evils of the Soviet system, and it could hardly be expected that the Chinese, with a lot of callow, youthful and inexperienced cadres to run the co-operatives in the rural areas, would do better so soon after they were established.

Recently an official of the National Committee of the Shop Assistants' Union wrote a persuasive article for publication in the proletarian paper in Peking. The study of consumers' needs, he said, includes primarily an examination into the variety, quantity, and quality of the goods required by consumers. He defended the Hunan Provincial Cotton and Cotton Cloth Corporation and more or less held it up as an example of what should be. They organised a commodity investigation and study group to look into the peasants' requirements in regard to the variety and pattern of cotton cloth and also the proportion of rural purchasing power expended on this commodity. About eight to ten per cent of the peasants' money from the sale of grain and secondary produce was spent on piecegoods and clothing. In one season a middle peasant purchased, on an average, 10.1 feet of cloth and a poor peasant 8.2 feet. In regard to pattern and variety, 11.53 per cent of their requirements was for bleached cloth, 34.7 for dyed fabrics, 17.57 for printed fabrics and 36.2 for handspun cloth. Black, blue and grey were the most popular colours. As a result of these thorough investigations, production had been effectively guided and the sources of goods correctly organised.

Investigations with reference to type, design, colour, size and quantity should be based on sales records. Sales personnel often found that certain commodities which customers like and want are the very things of which their stores are out of stock. Some found that they could not sell electric wire because they lacked insulating tape.

The gathering of public opinion on various commodities, through exhibitions and forums with customers, is suggested as an effective method of understanding the consumers' needs and enlarging sales. In 1953, for instance, the Mukden Municipal General Goods Corporation stages a winter fashion show, which was attended by over 270,000 persons, and more than 13,000 suggestions were offered, including requests for supplying sheepskins and black lambskins in large quantities. Workers wanted light-weight and warm fur-collared cotton-padded jackets, while the womenfolk wished for more woollen knitted garments. In Szechwan, the Chienyang County general goods store invited 23 representatives of workers, peasants, handicraftsmen, hawkers and private merchants to a consumers' forum. Some declared enamelled hand basins at 100,000 yuan were too expensive: they wanted basins at 30,000.

These examples of enterprise and consideration are, however, few and far between. They make little impression against the general complaint, made against bureaucrats in business everywhere, that they are indifferent and show little of the eager and accommodating spirit of private entrepreneurs. This is also borne out by the way in which the Communist Press stress the necessity of strengthening the relationship not only between State commerce and the consumer but between the former and State industry.

Another weakness of State trading is dealt with in the Tientsin Ta Kung Pao which admits that at present primary markets in some places are sluggish and that the urban-rural interflow of goods is blocked at the source. It says that State commercial enterprises and supply and marketing co-operatives must give top priority to the task of enlivening these markets. As a primary task in this process, it says, rural grain markets must be actively organised. It is argued that the peasants can still sell about 20 per cent of the surplus grain remaining in their hands after the State's enforcement of planned grain purchasing and supply. In some areas many peasants with surplus grain are reluctant to sell, despite their need of capital for production, because they fear that other people may criticise them as being backward in selling their grain now instead of earlier when the State did the unified purchasing. Some peasants have been unable to effect their required variation of foodstuffs while others have been unable to buy the necessary raw materials from the market for their secondary occupations such as flour-milling and beancurd-making, with the result that their active spirit in production has been affected. Thus, not only has the regulation of grain supply been rendered impossible, thereby causing a state of lanquor in primary markets, but agricultural secondary production has been adversely affected and the flow of industrial products to the countryside, and the supply of supplementary food to the cities, has been obstructed. Furthermore, it has increased the State's burden of planned grain supply.

This is wrong and inconsistent with State policy. Measures for the control of the grain markets promulgated by the G.A.C. (Art. VIII.) state that surplus grain of the peasants, after tax in kind has been paid and planned quotas have been sold to the State, may be stored and used freely and may be sold to State food departments or co-operatives. Or it may be traded in State grain markets or bartered in limited quantities in rural villages. However, speculation and disturbance of the market are strictly prohibited. This provision, says the paper, is quite clear and concrete and should require no explanation.

In pursuance of this provision, the authorities in various places are actively organising rural grain markets to assist the peasants in regulating the supply of grain under proper leadership and in an organised manner. Rural grain markets generally take two forms: one is for the supply and marketing co-operatives to hold a grain fair; the other form is the grain market which the State operates directly or appoints supply and marketing co-operatives to operate on its behalf.

(Continued on Page 260)

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CHINA'S FOREIGN TRADE AND PROSPECTS FOR HONGKONG & BRITAIN

During the past five years Communist China's foreign trade policies have always been coordinated and synchronized with her domestic and international politics. The real motive of her current trade promotion with the West is camouflaged under the benevolent smile and chivalrous pretence of saving the West from an economic collapse which, according to Communist propaganda, was accentuated by the US-imposed China embargo. China has always been in need of British and other Western industrial equipment and supplies; and Britain has been willing to meet Chinese enquiries. But it was only when China believed that she could use Sino-British trade not only to get badly needed supplies but also to split the West that she recently sent her first trade mission to London and invited a British delegation to Peking.

The Secretary General of the China International Trade Promotion Association (at Peking being a communist organisation) recently reported that trade between China and Britain which totalled more than US$100 million in 1931, dropped to $23 million in 1948 just before the Communists came to power. After "liberation", it improved to $73 million ($40 million according to our figures—Ed.) in 1950. The communist official emphasized that due to the China embargo, the figure dropped to $37 million in 1951. The General Manager of the China National Import & Export Corporation, of Peking, asserted that more than 50 nations all over the world have now established trade relations with China and claimed that China's total foreign trade in 1953 was not only six times greater than that in 1949 but also bigger than in any other year since 1930.

These propaganda statements imply that China with her industrialisation programme under Communist rule could have been a big customer of the West but Britain and other nations deprived themselves of the trade by enforcing the embargo on China. Therefore countries like Britain should free themselves from this US-imposed embargo which had harmed the West instead of China. (Actually, the UN embargo did, as was intended, cause hardship to Peking and the Chinese people knew and felt it). Peking's Press also played up the theme of how the China embargo had been harmful to countries in Southeast Asia:

"Trade between China and Japan was very large before the war. In recent years, however, US threats and pressure on Japan prevented the restoration of normal trade between these two countries. According to official statistics issued in Tokyo, Japan spent an extra US$59 million in 1952 because she could not import salt, coal, iron fillings and soya-beans from China and had to buy them from other countries especially US."

(Continued from Page 258)

Grain markets of this nature differ in nature from the free markets of the past. Control of rural grain markets, however, "ought not to be too strict and thus create artificial tension, nor should any slackness be allowed to give opportunities to speculators."

"The organisation of rural grain markets is a new task. Food departments and supply and marketing co-operatives in various places should, under the unified leadership of the local party and government authorities, actively and steadily perform this task."

Peking asserted further that due to China's cooperation with Japanese businessmen, China's imports from Japan rose sharply during the first six months in 1954. The report without any basis for its statements then went on to say that Indonesia lost US$300 million through restrictions imposed by U.S. on her trade with Russia and China while US aid given to her in the same period did not exceed US$16 million. On the other hand Indonesia's 1952 trade pact with China was so successful that it was renewed this year. Therefore, US is causing all the trouble while China is helping her neighbours to balance their foreign trade. All this trade promotion propaganda is only a part of another aspect of the cold war, fought with implied threats and promises, playing not upon the fears of free men but upon their hopes.

China's desire to procure industrial equipment and machinery from the West and to promote the sale of her exports in international markets is an urgent necessity. China's needs are great as she is only in the second year of her first five-year plan which so far is not a success. More than 140 projects of basic construction are underway with the development of fuel and power, the steel industry and the railways on top of the priority list. To meet the growing demand China must import more equipment, machinery and supplies from Communist and non-Communist countries. During past years, China bought most of her requirements from Communist countries. Strategic goods from non-Communist countries were obtained through indirect routes at very high prices. If China could get these strategic goods direct from the U.K. at cheaper prices, she would certainly welcome it. This explains why the most important point which Chinese delegates made during London talks was "that Britain should end the embargo on the export of strategic goods to China". Among items which China wants are chemical dyestuffs, fertilizers, antibiotics, rayon and wool tops, complete electric generating plant, at least 50,000 tons of metals and non-ferrous metals, locomotives, lorries, machinery, tele-communication equipment and scientific instruments.

CHINA TRADE REVIEW

A review of China's foreign trade during the past few years might help to appreciate the real situation and enable a peep through the mist into the future. The Chinese Ministry of Foreign Trade reported in April this year that China's total trade in 1953 showed an increase of 36% in value over 1952. Production goods accounted for 87% of all imports and consumer goods for only 13%. The proportion of trade with the Soviet bloc showed a further increase from 72% in 1952 to 75% in 1953. If this last figure is correct (which is seriously doubted), then the total value of China trade in 1953 was somewhere in the region of US$2,820 million. This figure is based on an American estimate that the 25% of China's trade with the non-Soviet world amounted to US$705 million or $425 million of Chinese exports and $280 of Chinese imports. China's apparent surplus was spent on shipping payments, goods which were not consigned directly to China in order to avoid the embargo, and in payment for European goods shipped through Russia.

Soviet Bloc: Trade with Soviet countries will expand further this year, according to terms of trade agreements signed with Russia, Bulgaria, East Germany, Rumania, Hungary, Czechoslovakia, Poland, Albania, Mongolia and North Korea. The list of Chinese exports shows little variation—mineral products and non-ferrous metals, tea, jute, wool, silk textile and various unspecified foodstuffs. China will import mainly industrial equipment and chemicals from Czechoslovakia and East Germany; petroleum products, chemicals and cotton piece goods from Rumania; transport and power equipment from Hungary; and machinery, chemicals, fertilizers and sundry items from Bulgaria. However, China's trade relations with Communist nations were not fully satisfactory. Last year, East Germany defaulted on promised exports to China, this year China accumulated a debt of US$1,000 million to Poland. This shows that China really cannot pay for all her imports, needs loans and should go slow on industrial expansion and militarisation. Agricultural exports to Communist countries in the West, were pushed to the extreme. China agreed to give N. Korea 8,000 billion yuan (US$360 million) of economic aid during 1954-1957. This is a heavy burden on Peking which has been ordered by Moscow. Under this programme large quantities of agricultural and manufactured goods have been or should be shipped to Korea. China's aid to Vietminh has also been considerable though the bulk came from USSR. With such heavy commitments in the Soviet world, China would have to produce still more if she plans to increase her exports to non-Communist countries in 1954 and after.

Asian Countries: China's trade with the free world can be divided into two sections: (1) trade with underdeveloped Asian countries like Ceylon, Indonesia, Burma, Pakistan and India; (2) trade with HK, Japan, UK & W. Europe. Ceylon has taken Pakistan's place as one of China's leading raw material supplier but the rubber-rice agreement is becoming increasingly unsatisfactory as both parties now have alternative and cheaper sources of supply. To Burma and Indonesia, China exported coal, silk and silk manufactures, cotton manufactures, paper, agricultural implements, light industrial products, canned food, tea and cigarettes in return for rice and rice products, beans and pulses, sesamum seed and groundnut cakes, mineral ores, timber, rubber and cotton. According to the agreement with India, China will open agencies in New Delhi, Calcutta and Kalimpong while India will reopen its trading agencies in Yatung and Gyantse in Tibet.

Japan: Since 1952, trade between Japan and China is gradually increasing. Total export from China to Japan in 1952 was US$3.4 million. In 1953 it increased to $11.2 million. Japan exported $600,000 worth of goods to China in 1952; the figure increased to $3.1 million in 1953. Indications are that 1954 trade would exceed last year's record. Tokyo seemed to be more anxious than Peking in the development of Japan-China trade. Trade relations between Japan and China should be better after the conclusion of the Indonesia-Japan-China triangular trade agreement and the direct payment arrangements between Tokyo Bank and Bank of China.

It is important to bear in mind that while Tokyo, where a free press prevails, shows concern about the development of trade with China, wishing it to increase though realising that industrial equipment of Japan may eventually aid the Peking's regime aggressiveness in Asia, the communist press is entirely controlled and only reflects the Communist Party's ideas and policies. The fact is that Peking is far more anxious to improve its trade with Japan than is the Japanese Government or are the Japanese business interests. Japan's industry is capable of assisting China very effectively in the industrialisation and modernisation of the armed forces of Peking. This is what counts with the Chinese communists. Japan is one of the leading suppliers of industrial equipment but Peking does not dare to woo Tokyo as this would go contrary to the Kremlin's policy. People's China tries to impress the world that it is strong, and getting ever more strong—actually it is Japan which is getting stronger and will in due time exert its influence in East Asia.

W. Germany: In West Europe, W. Germany was responsible for most of the trade with China negotiated through the Chinese National Import & Export Corporation, branch office at East Berlin. Trade in 1953 showed a substantial increase: W. Germany's exports to China in 1952 totalled US$951,000 and in 1953 reached $25 million. China's exports to W. Germany in 1952 totalled US$1.9 million and in 1953 exceeded $33 million. However, during the first quarter of 1954 the volume of trade was only half of that during the same quarter in 1953. If China's current negotiations with Britain are followed up by talks with other European countries trade between China and W. Germany might slightly increase.

Hongkong: During the first six months of 1954, HK's exports to China dropped to HK$182 million from 1953's (Jan.-June) $364 million. The drop started from the second half of 1953 (only $176 million). The figure for the first six months in 1951 just before China embargo was $1,151 million. Export figures in 1952 and 1953 were even lower than those of 1949. Meanwhile the method and procedure of trading changed. Before the embargo, trading companies in Hongkong grew like mushrooms and a commodity usually travelled through many speculators, each adding his profit to the cost before it reached the final buyer. Representatives from the mainland bought from whoever got the goods and being inexperienced in the running of purchases on a large scale and due to lack of coordination between factories and purchasing agents, they were well squeezed by HK speculators. It would be only fair to say that the Chinese Communists during the first few years, paid more than necessary and got less than they should from HK. By trial and error, China has now established an efficient system for her purchases from HK. The China National Import & Export Corporation (CNIEC) is the principal official purchaser of supplies from non-Communist countries. Private importers in China operate entirely on commission basis and must submit their quotations and orders to CNIEC. Only about one hundred HK firms are trading regularly with China. They send regular quotation sheets to China giving description of cargoes, prices, quantities available and terms of deliveries. Most transactions were done on barter basis and HK traders must inform Chinese authorities which particular China produce is wanted in return. In the event of possible orders, Chinese authorities usually inform more than 10 or 20 private firms in China to contact HK for firm offers. This arrangement enables CNIEC to compare quotations and get the lowest possible offer on best possible terms. On the other hand it gives more stimulation to the market than justified because a small order would appear big when it is circulated by 10 or 20 firms. CNIEC usually keeps ceiling prices low and if increases are too big in the local spot market it approaches European or other sources for direct supplies. This is why there are far more enquiries than orders from China.

In Hongkong, China has combined her various direct and indirect agents into one big organisation—the China Resources Company (in Bank of China's new building). This company, which maintains daily contacts with CNIEC and various branches of different national export corporations, monopolizes most of the trade between HK and China. As to exports, national export corporations sell to

HK importers through CNIEC. The buyer in Hongkong can either approach China Resources or contact the following corporations for quotations.

China National Animal By-Products Corporation (for bristles, hog casings etc.) China National Silk & Silk Products Corporation (for silk, silk waste, silk yarn, silk piece goods etc.) China National Drug & Medicine Corporation (for Chinese medical herbs and pharmaceuticals.) China National Tea Corporation. China National Minerals Corporation. China National Egg & Farming Products Corporation. China National Food Products Corporation (for canned food, fruits etc.) China National Cereals, oils and Fats Export Corporation. (for vegetable and edible oils etc.) China National Native Produce Export Corporation (for China produce not controlled by other corporations.) China National Industrial Export Corporation (for industrial products such as paper, iron nails and cotton piece goods). These corporations maintain offices in Shanghai, Tientsin, Peking, Hankow, Chungking and Canton to control the domestic purchase of native and industrial products in different regions and to prepare them for export.

Next comes the payment problem. China still insists on "payment after arrival and inspection" for her imports and demands immediate payments for her exports after loading. The reason is that Peking is very short of money. On concluding a transaction, HK merchants establish an Authority to Purchase (A/P) through one of the Communist banks in HK or a local bank which has arrangements with banks in China. This A/P authorises the bank in China to pay the full amount to the shipper against shipping documents and government analysis report. Upon receipt of this A/P, the firm in China opens a Letter of Guarantee (L/G) with the stipulation that the shipment would be paid in part after reaching port of entry and the balance after inspection. Last year it usually took more than two months for the exporter in HK to get his money back after shipment. However, the situation has improved lately and some exporters got their money back within two weeks. Another one-sided requirement is that any exporter in HK who has closed a deal with China must pay immediately into the bank a performance bond of 2% to 5% which would be confiscated if the exporter fails to ship the goods before the stipulated delivery date. Only after this bond has been deposited would China send its L/G to Hongkong. This performance bond, however, will be returned to the shipper after the arrival of goods in China.

Recent developments show that China is buying more and more from HK exporters who are also agents of manufacturers abroad. These agents are able to quote cheaper prices and their direct control of the goods ensures earlier delivery date, fresh supply and reliable quality. Most of the bulk shipments transacted through manufacturers' agents in Hongkong are now made direct from manufacturing countries to China. In order to earn more foreign exchange China has recently shipped to Hongkong industrial products such as cotton piece goods, paper, chemicals, electric fans and iron wire nails. Their offers are usually cheaper than other sources and in some cases even below market quotation in China. This shows how urgently Peking requires foreign exchange.

United Kingdom: Exports from UK to China during the first quarter of 1954 totalled US$3.4 million which is about half of 1953's (first quarter) $6.3 million. British businessmen in Berlin contracted with the Chinese Import and Export Corporation in April this year to exchange Chinese oils, silk and raw products for British chemicals, medicines, textile raw materials, machinery, electrical equipment, cables etc. Of the £15 million deal made by British businessmen in Peking last year in July, only £11¼ million were later contracted and of these, only £4½ million worth of British goods were exported to China. To improve the situation and to reinforce her diplomatic manoeuvre in Geneva, China finally sent her first trade mission to London during the Geneva Conference. Though Chinese delegates failed to place any contracts with British manufacturers there still is hope for better relations as they have officially invited a British delegation to visit China before the end of the year to continue and complete the negotiations. Among the Chinese delegates were leading industrialists. They have seen during their visits to various British factories that Britain is in a position to supply them with up-to-date machinery and equipment and that the quality of British manufactures is superior to those from Communist countries. The list which the China trade mission handed to the Sino-British Trade Committee gave more than 150 items of China produce under following groups: oils and oilseeds; rice; mixed beans; egg products, dried albumen; foodstuffs; silk; silk piece goods; bristles; carpets; hooked rugs; furs and skins; wool and hair; feathers; minerals; baked tobacco leaves; ramie; native produce including seagrass, agar-agar, menthol crystals, cotton fibres etc.; vegetable medicinal substances; art handicrafts; lace, drawn-thread work; tea and sundries including hand gloves and hand bags. With these China expects to obtain Britain's complete electric generating plants, locomotives, lorries; machinery and other items among the embargoed goods.

China's desire for more trade with the West apart from propaganda value is genuine. If Britain is willing to extend credit to her she would probably take up all what Britain could offer. The questions therefore are: (1) Could China afford to pay for all her needs? (2) Would British merchants accept payments in kind—China Produce on barter basis especially when world markets for popular items like woodoil and bristles are on the decline. (3) If British merchants accept barter payments, would China have enough export items left for Britain after meeting her obligations to the Soviet bloc?

CHINA'S FINANCIAL SITUATION

At the present two factors hinder the smooth return of normal trade between China and Britain. China claims that the UN embargo is making it impossible for her to trade normally with the UK. On the other hand, China's capacity to pay for larger imports depends on a highly problematical expansion of its narrow range of exports which means that China might not be able to pay for all her requirements. While the West might lift item by item from the embargo list, would China be able to export more to the West?

China's foreign exchange situation is not very sound at the moment. Remittances from overseas Chinese dropped from a monthly average of HK$25 million in 1952 to about $700,000. Special exit permits were granted to residents in Kwangtung province so that they could come to Hongkong to obtain money from relatives overseas and remit it to China. Exchange rates in HK are moving against China. The official rate remains at 4,270 yuan to HK$1 but the free rate which until the end of last year was steady at 6,250 yuan to HK$1, shot up to 8,547 yuan at the beginning of 1954. There is little demand for Chinese currency in Hongkong. Fears that it might be devalued sometime this year have been strengthened by the recent issue of new 50,000 and 100,000 yuan notes in Peking. In order to scrape up more exchange from Hongkong, China recently exported to HK more light industrial products and foodstuffs to make up for the drop of export of agricultural products. Despite the fact that the number of items has been increased, the total amount of Chinese exports to HK has dropped to HK$303 million during the first six months this year from 1953's (Jan.-June) $485 million. In view of the shortage of her foreign exchange holdings it would be impossible for China to pay for imports from the West with cash. Whatever foreign exchange China could make available would be spent on her increased

expenditures of diplomatic and trade missions as well as for strategic supplies which she could not get by open barter trade.

Regarding exports of agricultural products, there are clear signs of a food shortage in China despite Peking's earlier claims of bumper harvests. Peking explained however that the food shortage was not due to a fall in production. According to official figures published last May, China produced 2 million tons more foodgrains in 1953 than in 1952, more than has ever been harvested before. However, according to Peking, output in 1953 was ten million tons short of the original target which was presumably the basis on which the Communists worked their plans for exports and internal construction programmes. Exports of food to the Soviet Union were heavy and internal demand rose sharply. More farmers turned into workers and left their lands. In South China, where the food shortage is probably at its worst, owing to the floods, all rice has been taken away to the cities and farmers have to live on root vegetables. Vegetable oil is so scarce that China recently imported groundnut oil from Indonesia. There were also reports of smuggling of rice from Thailand through Macau to China to relieve the shortage in Kwangtung. However, the Government has used the food shortage as a justification to monopolize the grain trade. Much of the blame for the shortage was placed on speculators and dealers in the black market and some of these speculators were executed to calm down the unrest in some areas. Government advance-purchasing programmes have been extended from grain control to cover cotton, groundnuts, tea, ramie, jute, hemp, silk cocoons, raw silk, wool and other export items. To prevent a recurrence of the present food shortages, and to provide additional capital for industrial development an intensive production drive was launched this Spring. No target was published but the Central Government's directive on spring production admitted that the task was "extremely difficult". The Government intends to raise more than the additional 6 million tons of foodgrains planned at the beginning of 1954. North China is to grow 14% more grain and 29% more cotton than last year. The Northwest 6.5% more grain, 7% more cotton and 27% more oilbearing crops. An all-round increase is demanded in the output of subsidiary foodstuffs and industrial crops. Particular importance is attached to the growing of more vegetables in areas adjacent to industrial centres, and raising more pigs everywhere. The shortage of pork is so acute that pig-rearing merited a separate directive from the central government.

On the other hand the demand for China produce on world markets has been on the decrease during recent years due to unstable values, periodic change of China's export regulations and uncertain deliveries which forced regular consumers to use substitutes or grow their own supplies. The dumping of woodoil and beans and other produce in European market has brought down prices of these items and severely affected China's purchasing power. There might be several causes for the drop of trade with countries like W. Germany, Britain and HK during the first six months in 1954 as compared with 1953 but lack of funds and slower exports are two of the valid reasons. China in her second year of the 5-year plan certainly wishes to buy all what she can get from Communist and non-Communist countries. But her scarce national wealth and low foreign exchange holding limit her purchases. If her output in 1954, though increased, is short from the still bigger target upon which export plans are based, then 1955's food shortage situation would be even worse than that of this year. With the present flood along Yangtse, Hwei and Yellow River valleys, it is impossible to assume that 1954's production could reach increased targets.

PROSPECTS FOR BRITAIN AND HK

From the economic point of view, China was in a much better state in 1953 to promote her trade with the U.K. The only possible way for China to meet her obligations of the proposed increase of trade between Britain and China would be to slice off a portion from her 80% trade with Communist countries in 1955 after the fulfilment of her 1954 contracts. Despite her moral obligations to the Soviet bloc, China would not hesitate to do so if she could get strategic materials from Britain directly and at cheaper prices. Moscow would approve the switch if it served to split Western nations further apart. Britain's experience in the handling of foreign trade and her world-wide banking and shipping facilities would undoubtedly provide China with a regular supply of better equipment and machinery at cheaper prices. The influence and experience of British firms in world markets with regard to China produce would help Peking to get rid of her products at better prices. It is therefore not impossible for the proposed Sino-British trade to materialise especially if the atmosphere of peaceful co-existence is maintained and if there is no immediate threat of war between Peking and Taipei. On the other hand, competition among Britain, W. Germany and other West-European countries would be keen and the increase in trade would be slow and uncertain, subject to sudden changes of unpredictable international politics.

Hongkong's importance as an entrepot would decline but trade volume with China would improve to a certain extent while the procedure of trade would be gradually changed to fit into a new environment. At present, HK is able to compete with other sources in offering accumulated stocks to China. But before long, HK merchants would have to offer other attractions when old stocks are sold out. However, Hongkong's shipping services, dockyards, aircraft and maintenance and financial resources could be utilised. In Hongkong there are also agencies of all the principal traders of the world where goods can be selected with the advice of experts, where bulk shipments of China produce could be broken up and dispatched to different destinations. If China could get what she needs from manufacturers' agents in Hongkong at same prices as she would get from respective principals there is no reason why China would not procure her requirements from Hongkong. Furthermore, the Communists with their banks and official representatives in Hongkong could easily get hold of manufacturers' agents if there are any claims to lodge. As a matter of fact China has been buying more and more from manufacturers' agents in Hongkong recently. The China Resources Corporation have all the information on who's who in HK and they have been continually approaching agents of manufacturers for their purchases.

It is therefore clear that only those firms who enjoy good reputation, sound financial standing and are wellknown to Communists; who are agents of manufacturers; and who have competent staff and facilities to handle different lines of business, could survive in the China trade. Small traders who operate on broker basis are definitely out. Those who could keep on would have to compete with each other not only by offering cheaper prices, but better services as well. Gone are the days of profiteering when any newcomer could make a fortune overnight. But there are good prospects for old-established, competent and experienced merchants who conduct their business in the spirit of the modern world of commerce, possessing adequate capital and credit and refraining from speculation and other basically anti-trade practices.

(See page 286 for China Trade Statistics)

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JAPAN'S AIR TRANSPORT AND AVIATION INDUSTRY

By KAZUO TAKITA

Japan, once the creator of one of the mightiest air armadas of the world, made its postwar comeback into the field of international aviation in February, 1954, when the Japan Air Lines' flagship touched down on the soil of America. Newly-started trans-Pacific services by the Japan Air Lines were faced with unexpected results of poor sales and problems of operation and maintenance, the percentage of the sales record in the first month of JAL's international services showing 32% of capacity.

On the other hand, daily domestic services by JAL have revolutionized the modes of travel and transportation in Japan, a country sprawling in a narrow bending shape over a distance of 1,400 miles. Before JAL started its service two years ago, travel was limited to ground and sea transportation, which was naturally time-consuming and more irksome than air travel.

Japan's aircraft industry, however, finds itself disappointingly outmoded and lagging far behind that of other countries. Japanese manufacturers, freed of all post-surrender restrictions, have now started manufacturing training planes and helicopters on an experimental stage through technical tie-up with American and British manufacturers.

Besides JAL, which is the nation's only scheduled commercial airlines, eighteen other air transport companies were approved by the Japanese Government to operate air transport in Japan; but their activities are limited to engaging in charter flights, aerial photography, aerial advertising, fish-shoal detecting, sightseeing and forest surveying.

Japan Air Lines, commonly known as JAL, was established on August 1, 1951, with an initial capital of Y100,000,000. As it had no aircraft nor operating crews at the time of inauguration, it signed a charter contract with the Northwest Orient Airlines to supply it with aircraft and crews necessary to operate domestic flights. On November 1, 1951, it started its first domestic flights with four Martin 202's and one DC-4 Skymaster chartered from that company.

The coming into force of the San Francisco peace treaty in April, 1952, offered the opportunity for JAL to become a full-fledged air transport organization, the charter contract with the Northwest expiring October 25, 1952. With its trippled capital of Y1,000,000,000, JAL operated twice-daily Tokyo-Osaka, twice-daily Tokyo-Fukuoka and twice-daily Tokyo-Sapporo services with a fleet of six DC-4 Skymasters, newly purchased from the United States.

JAL's further reorganization took place in October, 1953, under a government subsidy, with a view to embarking upon international service in February of the following year, for the first time in the history of the nation. Of the reorganized JAL's capital of Y2,000,000,000, Osaka Shosen Kaisha and Iino Kaiun Kaisha owned Y80,000,000 and Y40,000,000 respectively of the new shares, with the government investing the rest of the Y1,000,000,000.

With the Tokyo International Airport at Haneda as its main base, Japan Air Lines currently operates on regular schedules linking Sapporo, the capital of Hokkaido; Misawa, Aomori Prefecture; Tokyo; Nagoya; Osaka; Iwakuni, Hiroshima Prefecture; and Fukuoka in Kyushu. During the one year period from October, 1952, to September, 1953, JAL carried over 265,000 passengers with a steady daily payload nearing 100 percent. To date, JAL has performed efficient, well-scheduled domestic service that has been exceptionally profitable, both commercially and as an important artery of communications and travel.

JAL's daily domestic services have especially boosted tourist traffic for Japan, a vacation land, which offers unique charm for foreign visitors, each season presenting its especial attractions.

The air service now facilitates the transportation of delectable but perishable foods. A large quantity of raw tunny meat is everyday airlifted from Tokyo to Fukuoka to be used for preparing sushi for local gourmets. In winter, oysters, raised in Hiroshima, are served in Tokyo, fresh from the sea-bed.

To further promote its domestic services, JAL will soon start its night-mail flights with three Beechcrafts; and it plans also to replace the DC-4's currently on its domestic services with Convairs.

JAL's total monthly revenue from passenger fares amounts to Y120,000,000, while the cargo revenue averages Y5,000,000 a month. Its ever-increasing mail and parcel-post services are producing a monthly average income of Y15,000,000. The year 1954 is destined to be a period of activity for the Japan Air Lines as the nation's flag-carrier.

The three Douglas DC-6B's JAL purchased from the United States, and named, "City of Tokyo," "City of Kyoto," and "City of Nara," are now placed on the twice-weekly trans-Pacific service between Tokyo and San Francisco, via Wake Island and Honolulu. Branch offices of JAL have been opened in San Francisco, Los Angeles, New York, Honolulu, and in Naha, Okinawa. JAL was admitted to the International Air Transport Association (IATA), world's airline parliament, and also International Civil Air Organization (ICAO). The opening of its regular trans-Pacific service on February 2 was immediately followed by the opening of Tokyo-Okinawa service, February 5, 1954.

The second stage of JAL's expansion program calls for the addition of flights from Tokyo to San Paulo via Rio de Janeiro (round-trip every two weeks) and a Tokyo-Bangkok weekly service; while in the north it hopes to operate a northern flight to Seattle via Shemya. If the situation permits, it also plans to open twice-weekly Tokyo-Taipei and Tokyo-Seoul services.

Envisaging the advent of the new jet age, JAL expects to take delivery of two 44/55 seater de Havilland Comet 11 jet liners by 1955, which will be placed on the trans-Pacific route instead of following the original plan of placing them on the Tokyo-London route. Tokyo-London service will soon be inaugurated, in addition to Tokyo-Djakarta weekly service. Tokyo-San Francisco and Tokyo-San Paulo services will be increased to three times weekly. Douglas DC-6B's now flying between Tokyo and Okinawa will be eventually replaced with the DC-4 aircraft when the tourist fares are put into force.

It is anticipated that medium and short range services will constitute an important part of JAL's operations in the future, and included in this network will be all the important cities in the Far East and Southeast Asia. Subsequently, it is hoped that a once-weekly service will come into existence between Tokyo and Bangkok with DC-6B airliners. Other major cities to be covered in subsequent stages of expansion in 1955 will include Manila, Saigon, Singapore and Djakarta. JAL hopes to make London the western

terminal of its air traffic, for in 1955, it envisages a weekly service with turbo-prop Britannias flying between Tokyo and the British capital with stops at major traffic points on the way.

JAL's equipment will be increased, when its three-year program is completed in 1955, to a total of 19 aircrafts, including 7 DC-4 Skymasters, 7 DC-6B's, two Comet 11's and three Herons. In order to carry out this expansion program, JAL's capital will be further doubled in 1954 to Y4,000,000,000 and in 1955 to Y6,000,000,000.

* * * *

Among the 18 firms sanctioned by the Government to operate air transport in Japan, Japan Helicopter Transport Co., Ltd., and Kyokuto (Far East) Koku (Airlines) Company, Ltd. were granted licenses to conduct regular services between Tokyo and Osaka and started regular mail service in December, 1953, using de Havilland Doves.

The Kyokuto Koku, capitalized at Y500,000,000 by the Kansai Steamship Company in Osaka and leading businessmen in the Kansai district, is equipped with two de Havilland Doves, and one twin-engined Handley Page Marathon. It will inaugurate regular service between Osaka and Iwakuni-Fukuoka, with plans to extend its service to Shikoku when airport facilities are improved.

The other is the Japan Helicopter Transport Co., Ltd., in Tokyo, capitalized at Y150,000,000, and equipped with two de Havilland Doves, four Beechcrafts, and three de Havilland Herons. Its routes include two daily Tokyo-Osaka trips, two daily Tokyo-Nagoya trips and one Tokyo-Aomori-Sapporo daily service.

As non-scheduled airline, Aoki Airlines was licensed to operate irregular transportation business. It has a capital totalling Y40,000,000.

In northern Japan, the North Japan Aviation Co., Ltd., capitalized at Y15 million, was founded in Sendai City in June, 1953, at first with non-passenger air service, but conducting surveys and aerial photography, insecticide spraying and commercial advertising. It also plans to launch passenger service between Sapporo and Chitose, Obihiro, Kushiro and Mihoro as soon as five airplanes have been delivered; it will be then equipped with 10 airplanes including one Cessna-170 and two Cessna-195B airplanes.

* * * *

Japan's postwar aircraft manufacturing industry is being gradually built up. Stripped of all prewar and wartime technical know-how through the last war, the nation's aircraft industry is, in a sense, starting from scratch.

Japan was once proud of turning out planes of high technical standard, producing, in prewar days, a total of 10,000 airplanes of more than 600 different types. During World War II, a total of 66,000 fighters and bombers was manufactured for the Japanese navy and army by 12 aircraft manufacturing firms, Mitsubishi, Nakajima, Kawanishi, Aichi, Tachikawa, Showa, Nippon Aircraft, Hitachi Aircraft, Kyushu Aircraft, Kokusai (International) Aircraft, Kawasaki and Ishikawajima.

Following the surrender, the aircraft industry was literally obliterated; all aircraft manufacturing companies were closed, as were all doors to the study and testing of aircraft; the production of aircraft was prohibited, while all airports and ground facilities were requisitioned by the Occupation Forces. Furthermore, the dissolution of Zaibatsu under the SCAP directive gave the final blow to the aircraft industry, which was mainly operated by the Mitsubishi and the Nakajima Zaibatsu (financial cliques).

As the first step in an effort to revive the aircraft industry a bill was passed by the Diet in April, 1952, and the Aircraft Production Enterprise Law was enacted. Following this, the Aircraft Productive Deliberative Council was formed by the Government in November, 1952, to study and solve various problems involved in the revival of the industry. The council presented recommendations to the Ministry of International Trade and Industry to the following effect:

1) Necessity for restoration of the aircraft industry:

a. Japan will be capable of producing aircraft at a cost 30 per cent lower than other countries.

b. The possibility of exporting airplanes to Southeast Asian countries is rapidly increasing.

c. The aircraft industry, being largely a matter of synthesis, will serve to accelerate the development of other industries.

2) Enhancement of Technical Standards:

a. A course for aeronautical research should be established in universities.

b. Engineers should be dispatched abroad to study advanced techniques.

c. An aeronautical research institute, both for the government and for the people, should be set up.

d. A top-level committee to handle policies of the aircraft industry should be formed by the representatives of ministries concerned and the manufacturing companies.

Along with the recommendations made by the Council the Ministry drew up a set of policies to promote the revival of the aircraft industry: 1) purchase of patents from advanced countries; 2) government defrayment of expenses for experimental manufacturing of jets or other airplanes; 3) government investment in Japan of the Japan Jet Engine Company; and 4) dispatch of investigating teams to survey overseas markets for airplanes, especially to Southeast Asian countries, and exhibitions of airplanes and parts in Formosa and six other countries.

Immediately after this policy was enforced, the Japanese Government gave subsidies of Y40 million and Y10 million, respectively, to the Japan Engine Company and Kawasaki Machinery Company, the latter manufacturing engines for helicopters. Encouraged by the steps taken by the Government, the principal aircraft companies of the war period, which had been dissolved into small companies, once again began to unite, scrambling for the leadership of the aircraft industry. More than 10 aircraft industry companies came into being and started manufacturing training planes and helicopters.

In the latter part of 1953, however, Japanese airplane manufacturers were moving toward reorganization of their enterprises, as the business outlook for the immediate future was by no means optimistic. The aircraft makers more or less depended upon orders from the National Safety Board, but the signs became more evident that the defense program will be curtailed and domestic airplane orders eventually cancelled.

The National Safety Board, through its Y1,500 million budget for 1954, planned to procure 70 trainers of the Mentor 34 type, of which it decided to import 20 but failed to place orders for the remaining 50 planes with Japanese aircraft manufacturer, viz. the Fuji Heavy Industries. This company has concluded a technical assistance contract with the Beech Aircraft Corporation of America, maker of the Mentor 34 type.

This failure of orders from the National Safety Board was due to the fact that leading Board officials preferred import of foreign trainers to domestic procurement; because foreign aircraft companies, such as the Texas Engineering and Manufacturing Company (U.S.), Percival Aircraft (Britain) and de Havilland Aircraft Company (Britain) were actively canvassing orders for their planes. The nation's

aircraft industry holds hopes that the Board will procure the remaining 50 aircrafts from domestic aircraft companies; if the Board should fail to meet their hopes, they would eventually be deprived of their chance for reconstruction and be compelled to readjust their enterprises. Under the present circumstances, further reorganization will be achieved by the major airplane manufacturers, Mitsubishi, Kawasaki and Kawanishi, for the purpose of meeting the mounting demand for airplanes and repair work expected.

Five offshoots of the former Nakajima Aircraft Company, including Fuji Heavy Industries, planned to carry out an amalgamation in March, 1954, in order to make a new start with a capital of Y700 million.

The Fuji Heavy Industries, having succeeded in acquiring the technique for the manufacture of the Mentor trainer from the Beech Aircraft Corporation in the United States, is due to swing into full production shortly. The signing of a license agreement between Fuji Heavy Industries and Beech Aircraft Corporation for the building of the Beechcraft "Mentor" military trainer in Japan is the first instance of any major American aircraft manufacturer aiding Japan as a part of the defense of the free world in the critical area of the Far East. This 1953 license contract marks the second contract made by the Beech Aircraft with the Japanese; the first instance was nearly 20 years ago, in the first few years of Beechcraft history, when the Japan Air Transport Company was licensed by Beech Aircraft to build the Beechcraft model C-17-E high performance civilian biplane.

Two machine makers affiliated with the dissolved Kawasaki Aircraft Company have decided to set up an aircraft manufacturing firm called the Kawasaki Aircraft Industry Company with a capital of Y870 million early in 1954; the two affiliates are the Kawasaki Gifu works and Kawasaki Machinery Industry Company, of which the former is now turning out fuselage and the latter, plane engines.

The Kawasaki Gifu Works has succeeded in building on an experimental basis several types of light planes including the 4-seater KAL liaison model. Inquiries for the purchase of these planes have already been received from abroad. This company, having been engaged in the repair of aircraft for the U.S. forces in Japan since March, 1953, will also start repair work of jet planes for the U.S. forces from this year.

Kawasaki Machinery Industry succeeded in turning out the first Japan-made helicopter in November, 1953, by acquiring manufacturing technique from the Bell Aircraft Corporation in the United States. These two Kawasaki-affiliated firms have plans to conclude a technical tie-up with the Lockheed Aircraft Corporation of the United States to enable the new Kawasaki Aircraft Industry to produce and repair jet planes. Officials of the two firms plan to set up a Japan-America joint company, if the situation is favorable.

A reorganization move is witnessed among the firms disintegrated from the former Kawanishi Aircraft Company. Under the present plan for reorganization, Shin Meiwa Industry, a major offshoot of the Kawanishi, will absorb the two others, namely, the Meiwa Automobile and Settsu Rolling Stock, sometime in 1954. The former Kawanishi Aircraft Company was noted for its production of various types of airplanes for the Japanese navy.

Shin Meiwa Industry last year concluded a technical tie-up with the de Havilland to undertake repairing of engines of de Havilland Gypsy Queen 70 and 30 and also of aircraft engines of civil airplanes. Observers predict that the Kawanishi group will emphasize the production of hydroplanes, as the defunct Kawanishi Aircraft was a major maker of such planes before and during the war.

No new move, however, can be seen among companies affiliated with the aircraft division of the former Mitsubishi Heavy Industries Company, since they have already been grouped into a single firm, the present Shin Mitsubishi Heavy Industries Company. Shin Mitsubishi has been engaging in overhauling planes for the U.S. Far East Air Forces since June, 1953. It is planning to start repair of engines and jet planes from this year, through the induction of technique from the Pratt and Whitney Aircraft Division of the United Aircraft Corporation. Furthermore, it is making preparations for the manufacture of Japan-made jet trainers.

Fuji Precision Industries Company, an affiliate of the defunct Nakajima Aircraft, is seeking to absorb the Prince Automobile Company and make a tie-up with America's Curtis-Wright Corporation to produce aircraft engines.

Toyo Aircraft Industry, which was confronted with some financial difficulties some time ago, is now preparing to revive plane production. This company was the first to succeed in manufacturing a single-seater fighter, through technical tie-up with the Fletcher Company.

The first step in restoring Japan's aircraft industry was a contract for repair and overhaul of aircraft instruments, between the United States Air Forces and Tokyo Aircraft Instrument Company, May, 1953. The items covered by the contract included gyro-instruments, altimeters, speedometers, engine meters such as revolution meter, thermometer and pressure meter, electric auto-pilot instruments, amplifiers, indicators, time-pieces and others. Monthly orders approached $100,000 for the initial year. It is expected that the monthly orders will be increased to $180,000 for the second year, 1954.

Most worthy of mention in the present-day aircraft industry in Japan is the Japan Jet Engine Company, in which the Government has invested Y1 billion. This company was established on July 15, 1953, by four companies jointly, Shin Mitsubishi Heavy Industries, Ishikawajima Heavy Industries, Fuji Precision Instruments and Fuji Heavy Industries, under the presidency of Kogoro Uemura, Vice-President of the Federation of Economic Organization, to conduct the study and test the manufacture of jet engines. It's authorized capital of Y160 million has been paid up evenly by the four firms. The Ministry of International Trade and Industry made a total of Y2 billion, including Y500 million private funds, available for the company on a three-year basis, to enable it to produce about 10 three-ton jet engines. The sum of Y1 billion allotted for the first year will be spent for the purchase of patents and necessary research equipment.

A warning is being sounded against the blind induction of technical cooperation from foreign countries, in order not to kill the initiative of the nation's aircraft industry. The Ministry of International Trade and Industry allowed the import of a total of 98 airplanes during last year, mostly light planes, worth $1,150,000.

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Fifty-two of the nation's airfields are presently leased to the U.S. Security Forces, and of the 52, 12 are used jointly with the Japanese. The dozen include Chitose, Misawa, Itami, Komaki, Itazuke, Iwakuni and Haneda. Entry into these airfields of unauthorized Japanese is restricted by the U.S. Security Forces even now.

Since the beginning of domestic flying over Japan after seven grounded years, the young and aspiring pilots of Japan have met with new obstacles and difficulties. First and foremost was the problem of air traffic control. All the control towers in the land are still manned by the U.S. Security Forces personnel, who speak only English. In Tokyo, the civil Aeronautics Bureau is today training a large staff of personnel for air traffic control duties. Stationed side by side with the U.S. controllers, they are being given bi-lingual training. Under the present circumstances, a prerequisite for a pilot in Japan is a perfect command of the English language, even for domestic flying.

The nation today has 19 licensed Japanese pilots authorized by the Civil Aeronautics Law and 41 foreign pilots. In addition to these 60 licensed pilots, there are 334 high-class commercial pilots, 47 private pilots, 290 navigators, 188 wireless operators and six flight engineers totalling 920. At the end of World War II, Japan had a total of 12,000 crew members.

Approximately 70 new crew members have been trained in 1952-53, under a Government appropriation totalling Y75,000,000. Under contemplation is a plan to set up this year a pilot training center to turn out an initial 110 airmen. At the same time, a three-year program for the expansion and improvement of airfields is under consideration.

Of the 147 crew members necessary to operate JAL flights immediately after the opening of the international service, approximately 67 are Americans. The remaining 80 will be Japanese co-pilots, pursers and stewardesses. The entire staff of JAL, including personnel stationed in overseas offices, totals 730, 38 being American crew members leased from the Trans Ocean Airlines. A total of 24 American crew members, such as pilots, co-pilots, navigators and flight engineers are assigned to the international services. Of 60 English-speaking Japanese stewardesses, 20 are assigned to the trans-Pacific and Okinawa services. All stewardesses and pursers of JAL have undergone training in the American way of in-flight service, under an American instructor, Miss Alice Attwood, stewardess supervisor of the United Air Lines, who was invited last summer by Mr. Seijiro Yanagita, President of the Japan Air Lines, to raise the in-flight service of JAL to the international standard by setting up a stewardess training center in the JAL head office. The United Air Lines, one of the big four airlines in the United States, was the first to originate a stewardess service in 1930, and has the best stewardess training center in the United States.

What service JAL is ready to give passengers on flight is clearly evinced in a statement made by Miss Yuko Takeda, one of the senior stewardesses of JAL, when she said, "Japanese womanhood is known to the world as the best ever to be found anywhere. We, as Japanese stewardesses, are able to provide for all passengers, both foreign and Japanese, a service that derives from the traditional womanhood of Japan deeply rooted in the warm attention and centuries-old Japanese hospitality."

Typical among the JAL's American pilot corps assigned to the international service is Captain William P. Wakefield, veteran skipper of trans-Pacific flying. Captain Wakefield has logged 11,000 flying hours to his credit over a period of 15 years, the last eight years of which he flew in the Pacific areas with the DC-4 and DC-6 types of aircraft.

Captain Wakefield is convinced that JAL will become one of the leading airlines of the world in the future. He says that the travellers of the world should never miss a chance to fly over the beautiful islands of Japan, because Japan can offer the best of everything in the Orient which any traveller would look for.

* * * *

Japan's intention to serve as a mature airline is evident in its establishment of the Japan Aircraft Maintenance Company in July, 1952, as a subsidiary, with a capital of Y50,000,000 to do maintenance work for JAL's equipment and other airplanes of foreign airlines coming to Tokyo International Airport. The Japan Aircraft Maintenance Company, known as JAMCO, was jointly financed by the Northwest Orient Airlines and Trans Ocean Airlines. Both the Northwest and Trans Ocean are supplying JAMCO with technical know-how and American technicians to help Japanese perform the work. The capital of JAMCO was raised to Y200,000,000 last summer. It now handles all kinds of maintenance for JAL, while rendering services to Trans Ocean Airlines, Royal Dutch Airlines, Air France, SABENA Airlines, Thai Airways, Slick Airways and Canadian Pacific Airlines.

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Eleven international airlines representing Australia, Britain, China, Denmark, France, the Netherlands, Norway, the Philippines, Sweden, Thailand and the United States, have opened their branch offices in Tokyo since the end of last war, with their various degrees of frequencies connecting Japan with important parts of the world, so that Japan has today become a key country of call for world's major airlines.

These commercial airlines are classified into two groups:

1) IATA (International Air Transport Association) carriers, including Air France, BOAC (British Overseas Airways Corporation); CPAL (Canadian Pacific Air Lines); KLM (Royal Dutch Airlines); NWOA (Northwest Orient Airlines); PAL (Philippine Air Lines); PAA (Pan American World Airways); QEA (Qantas Empire Airways) and SAS (Scandinavian Airlines System).

2) Non-IATA carriers are CAT (Civil Air Transport) and TAC (Thai Airways Company).

Air France, government-owned airline of the Republic of France, is now maintaining a weekly service between Tokyo and Paris with a fleet of Constellations, making three stop-overs en route to Paris from Tokyo within the shortest time.

British Overseas Airways Corporation, known as BOAC, holds the title of the world's first jet operator. Effective from April 1, 1954, BOAC introduced two tourist services into London weekly, operating 56-seater Argonaut aircraft Sunday and Wednesday. In addition to the piston-engined Argonaut service, BOAC maintained the Comet jet airliner services between Tokyo and London.

It plans to place the turbo-prop Bristol Britannia between London and Tokyo with an intermediate stop at Vancouver, and has ordered a fleet of 26 Britannias; BOAC claims that the Bristol Britannia is the cheapest aircraft operated on a long-range route with low fuel and large payload. The Britannia's cabin is pressurized to give an equivalent of 1,800 meters (6,000 feet at 35,000 feet). It is large enough to carry 104 passengers with high-density seating. The payload is 1,000 k.g.

Canadian Pacific Air Lines, which pioneered the low-cost trans-Pacific fares between Vancouver and Hongkong at $500 one way, has found it very profitable to accommodate the dual-system in a DC-6B aircraft. CPAL extended its service from Hongkong to Lima, capital of Peru, November, 1953, via Tokyo, Vancouver and Mexico City, thus connecting the Far East with South America by a single route service. It is expected that the CPAL will be able to extend this service to Rio de Janeiro as soon as permission is granted by the government concerned.

Civil Air Transport, known as the CAT in the Orient, is National China's flag carrier flying between Tokyo and Bangkok via Pusan, Taipei, Hongkong and Manila. It is now running a freighter service between Iwakuni and Taipei.

KLM or Royal Dutch Airlines is the oldest airlines of the world in existence. KLM is currently maintaining twice-a-week schedule between Tokyo and the Netherlands through Bangkok, with a fleet of Lockheed Constellations.

The Netherlands Government designated KLM, which was originally organized in 1919 and had operated continually up to the outbreak of World War II, is the only Dutch carrier authorized to engage in air transport between

the Netherlands and the United States. The Netherlands Government owns stock in KLM, entitling it to 5,000 votes of a total of 8,383 votes now represented by outstanding shares.

Northwest Airlines, the second oldest commercial air carrier of the world, began operation October 1, 1926, as an airmail carrier between Minneapolis-St. Paul and Chicago, a distance of 400 miles. Today, Northwest Orient Airlines is operating weekly tourist class service by Douglas DC-6B airplane across the Pacific, leaving Seattle, westbound, every Sunday, and leaving Tokyo, eastbound, every Wednesday, in addition to the first-class Boeing Stratocruiser flights.

The Northwest Orient Airlines is the only air carrier in the United States offering combined coast-to-coast and overseas service by one aircraft. Its overseas stations include Tokyo, Manila, Pusan, Taipei, and Hongkong.

Pan American World Airways, Inc., commonly known as PAA, is one of the largest airlines in the world today. Pan American serves almost all parts of the globe with its Boeing Stratocruiser, Lockheed Constellations, Douglas DC-6, DC-4 and other types of airplanes.

Beginning April 1, 1954, Pan American is the only U.S. flag-carrier to complete a round-the-world network of the low-cost type of air transportation. The frequency of Clipper flights on the Tokyo-Hawaii-United States route was increased to provide daily service in each direction. Four of these are the President de luxe flights and three provide the Rainbow tourist service, from Tokyo to Asia, Europe and New York.

Philippine Air Lines, or PAL, is flying between Manila and Tokyo twice a week with a fleet of Douglas DC-6's and DC-6B's. PAL's Tokyo-Manila service is connected in Manila with its European and American routes. PAL is the biggest airline in Asia at present, having the National Development Company, an agency of the Philippine Government, as its largest stockholder.

At present, due to economic reasons, PAL's air service to Tokyo and the United States has been temporarily suspended.

The Australian Government-owned Qantas Empire Airways, Ltd. is now maintaining weekly service between Tokyo and Sydney via Hongkong and Manila twice a week with DC-4 Skymasters, and running London-Sydney service in partnership with BOAC. Qantas, currently operating 70,000 miles, plans to put new Lockheed Super Constellations on the trans-Pacific service this summer.

The Scandinavian Airlines System, commonly referred to as SAS, is a combined organization of Danish, Swedish and Norwegian international airlines, operating together their trans-Atlantic air service. The three companies are Det Norske Luftfartselskap, A/S (Norwegian Airlines, Inc.) commonly referred to as DNL and Det Danske Luftfartselskap A/S (Danish Air Lines), known as DDL and Swedish International Airlines, abbreviated as SILA; they have been designated by the Governments as their official representatives in international air transport. SAS are currently operating a fleet of DC-6 airplanes between Tokyo and Stockholm via West Germany twice a week.

There are in Tokyo three off-line airline offices from the United States doing inter-agency sales in Japan, American Airlines, Trans World Airlines and United Air Lines, all three belonging to the Big Four in the United States. American Airlines is now popular with travellers, with its fleet of DC-7's operating from Pacific coast to New York; its new DC-7 non-stop Mercury flight between New York and Los Angeles with a standard of luxury service was inaugurated on November 29, 1953, providing the fastest coast-to-coast transportation available, with schedules of 7 hours and 15 minutes eastbound and 7 hours and 55 minutes westbound.

Trans World Airlines, one of the Big Four airlines in the United States and pioneer of low-cost tourist services, is now preparing for extension of its service to Tokyo from Bombay as soon as the U.S. Civil Aeronautics Board approves its request. TWA serves 80 cities in the United States and 17 nations of the world, with its fleet of 150 aircrafts, including 78 Constellations, and Super Constellations. Linking four continents with regular, dependable service, TWA now carries 2,500,000 passengers annually, and since January, 1947, when it extended international routes east from Bombay, its activities have grown to global proportions.

THE POPULATION PROBLEM OF JAPAN

By Ayanori Okazaki

(Institute of Population Problems)

Population Trends During and After World War II

World War II had its inevitable effect on Japan's population. In 1940, the population was 72,300,000, but in 1945 the total had dropped to 72,000,000, a decrease of 300,000. Although the decrease was negligible, it was the first time in the history of Japan since the Meiji Era (1868-1912) that the population total has shown a drop.

Among the many war-time factors contributing to this population decrease were the fall in the marriage rate, the separation of many married couples because of the housing shortage, the drop in the birth rate because of the reduced standard of living, the mass deaths resulting from air-raids, the rise in the natural death rate because of lack of nutrition and reduced medical services and facilities and the dispatch of millions of army and navy servicemen and civilian employees of the military forces to overseas areas.

However, the postwar changes in the population total were more conspicuous than those during the war. In 1950 the population increased sharply to 83,200,000 an increase of 11,200,000, or 15.6 per cent, during the five years from 1945.

The rate of increase during the immediate postwar years was unprecedented. In the 1920-25 period the rate of population increase was 6.9 per cent; for the 1925-30 period the rate was 8.5 per cent, and in the 1935-40 period it was 7.5 per cent.

Analysis of the Postwar Population Increase

A study of the following table of statistics showing the social and natural factors of the period between October 1945 and September 1950 reveals the reasons for the phenomenal population increase in postwar Japan:

TABLE A

(Unit: 1,000)

	Social Factors			Natural Factors			
	Japanese Nationals Repatriated from Overseas Areas	Foreign Nationals Repatriated from Japan	Increase	Births	Deaths	Increase	Total Increase
Oct. 1945—Sept. 1946	4,593	1,038	3,555	1,710	1,520	195	3,745
Oct. 1946—Sept. 1947	1,136	135	1,001	2,644	1,173	1,471	2,472
Oct. 1947—Sept. 1948	329	11	318	2,750	998	1,752	2,070
Oct. 1948—Sept. 1949	156	7	149	2,738	948	1,790	1,939
Oct. 1949—Sept. 1950	34	3	31	2,452	915	1,537	1,568
Total	6,248	1,194	5,054	12,294	5,554	6,740	11,794

The repatriation of Japanese nationals from overseas areas began in October 1945. A total of 5,720,000 Japanese were repatriated in the following two years, and by the end of 1950 the number of repatriates had risen to 6,250,000. About one-half of the repatriates were ex-servicemen or civilian employees of the Japanese military forces, and this group would have remained as residents of Japan if there had been no war. The remaining half of the Japanese repatriates were those who had emigrated to overseas territories and would have continued to live there if Japan had not been defeated.

Foreign nationals, numbering 1,200,000, who had been living in Japan were repatriated to their countries between 1945 and 1950, and they were mostly of Chinese and Korean nationalities.

The exchange of civilian repatriates left Japan with an excess of nearly 2,000,000, which contributed to the social increase in population.

The natural increase of population in the one year immediately following the end of the war was a mere 190,000. The lack of nutritious food during the last stage of the war was the direct cause for the decrease in births and increase in deaths. The birth rate began to show an increase in 1947, while the death rate dropped sharply in 1946 and even more in 1947, in which year there was a marked rise in the rate of natural population increase.

The very low birth rates in 1945 and 1946 are attributable to the intensified air-raids during the last year of the war, conspicuous decrease in conception as a result of the nation-wide social chaos and increased unwillingness of parents to have children because of the extreme social unrest and insecurity prevailing directly after the end of the war.

The death rates during these two years were greatly increased because of the lack of nutrition, shortage of medicine and stagnation of medical activities. The decrease in population because of natural factors in 1945 represents the first time such a drop has occurred in Japan since the beginning of the Meiji Era (1868-1912).

The birth rate increased sharply in 1947 to 34.30 per cent and was 33.17 per cent in 1949, after which it began to drop. The main reasons for the great increase were that millions of soldiers who had been drafted and stationed in Japan proper were demobilized and returned to their homes while other millions of ex-servicemen and overseas residents were repatriated so that in addition to married couples being rejoined the marriage rate increased during the years immediately following the end of the war.

On the other hand, the death rate began to decline sharply in the postwar years. Contributing factors were that the physically weak had died during and immediately after the war, while large quantities of medical supplies were shipped to Japan and the health and sanitary conditions improved. The spectacular drop in the death rate was far beyond expectations.

The increase in the birth rate and decrease in the death rate caused the rate of natural increase to show a remarkable rise. In 1948 and 1949 the natural population increase was 1,700,000 for each year, and the Government and people realized that a serious population problem had once again risen.

Propagation and Effect of Birth Control in Postwar Japan

Japan's economy had come to a near standstill at the end of the war, and the conditions of the immediate postwar years reduced economic production capacity. Japan lost about 43 per cent of her territory and, as a result, a very considerable amount of natural resources. Production facilities were extensively damaged or destroyed during the war, and those which had escaped devastation had become superannuated from lack of repair and replacement. Japan's industrial structure was thrown into a state of confusion, and the nation as a whole suffered from almost complete economic paralysis.

Under such circumstances it was only natural that the Japanese people were amenable to any measure which would stop at least temporarily the natural increase of population. In view of this popular desire for controlled parenthood, various independent organizations were established and vigorous campaigns undertaken for the propagation of birth control information and methods. Many publications on the subject also became popular, and they frankly explained the principles and methods of birth control which subsequently came to be widely accepted by the people.

Popular demand finally compelled the Ministry of Welfare to authorize in July 1948, the public sale of contraceptives which had hitherto been prohibited. Manufacturers of these contraceptives began a wide sales campaign, and almost daily newspapers and other periodicals carried large-scale advertisements, some of which were unfortunately excessively frank and had undesirable effects on the morals of the younger generation.

The birth rate climbed sharply in the immediate postwar years until it reached a peak in 1948 and 1949 but showed a definite decline in 1950. It fell to 23.6 per cent in 1953. The drop in the birth rate is attributable not only to the widespread use of contraceptives but also to the popular practice of abortion. Contraceptives made in Japan were not always of high quality, and conception often occurred where the married couples did not desire parenthood. In such cases, mothers who became pregnant took advantage of the Eugenics Protection Law and often had undergone abortion.

The National Eugenics Law was enacted in 1940 for the purpose of preventing the birth of children being handicapped by hereditary diseases. The Eugenics Protection Law was of a different character and provided not only for the prevention of birth of inferior children from the standpoint of eugenics but also for abortions when they were deemed necessary for the protection and maintenance of the mother's life or health. Article 13 of the Eugenics Protection Law provided that induced abortion was to be authorized in the event that the continued pregnancy or parturition was feared to be harmful to the health of the mother on account of physical or economic reasons. The Eugenic Protection Investigation Committee was to study each case before permission for the induced abortion was given under the law. An amendment to the Eugenics Protection Law was enacted and made effective from May 1952, and it became unnecessary for the Eugenics Protection Committee to investigate each case and doctors were authorized

to undertake induced abortion on the basis of their own judgement.

In 1949 the cases of induced abortions performed under the Eugenics Protection Law and reported to the Ministry of Welfare numbered 246,104. In 1950 the cases totalled 489,111 and in 1951 there were 636,524. It is estimated that abortion cases exceeded one million in 1953. The ratio of induced abortions to the number of births was 9.1 per cent in 1949 and rose to 28.9 per cent in 1951.

It must be recognized that the statistics of induced abortions given in the preceding paragraph represent only those cases which were reported to the Ministry of Welfare and were undertaken in accordance with the existing law, and it is to be assumed that there were a large number of cases where abortions were undertaken illegally and were not reported to the Ministry of Welfare.

However, induced abortions in many cases had harmful effects on the health of the mothers, and the Ministry of Welfare finally undertook measures to provide better knowledge and methods for preventing conception.

The statistics on the population trends of Japan reveal that the Oriental phenomenon of many births and many deaths has given way to the European practice of few births and few deaths. The decrease in the birth rate has become exceedingly apparent in recent years and is expected to continue in the future as the practice of birth control becomes more popular among the people.

On the basis of estimates of the Institute of Population Problems, the birth rate will be 14.33 per cent and the death rate 10.28 per cent in 1980. Thus, the natural increase will still be somewhat greater than the natural decrease. It is expected, however, that the proportion of aged persons in the composition of the Japanese population will have increased markedly by that time.

The following table compares the 1950 population with the estimated 1980 population on the basis of age groups:

TABLE B

	1950			1980		
	Total	Male	Female	Total	Male	Female
	1,000.0	490.3	509.7	1,000.0	495.6	504.4
4 and under	134.7	68.7	55.0	71.7	36.6	35.1
5-9	114.7	58.1	56.6	71.6	36.5	35.1
10-14	104.7	52.9	51.8	67.4	34.3	33.1
15-19	102.8	51.8	51.0	61.9	31.5	30.4
20-24	92.7	45.9	46.9	68.4	34.8	33.9
25-29	74.1	33.8	40.3	88.0	44.8	43.3
30-34	62.4	28.2	34.1	99.4	50.5	48.9
35-39	60.7	28.5	32.2	85.5	43.2	42.3
40-44	53.9	26.4	27.4	76.7	38.6	38.1
45-49	48.1	24.2	23.8	73.3	36.7	36.6
50-54	40.8	20.7	20.1	64.1	31.4	32.7
55-59	33.0	16.5	16.4	49.2	22.0	27.2
60-64	27.7	13.3	14.4	38.6	16.9	21.7
65-69	21.3	9.6	11.7	33.4	15.0	18.4
70-74	15.5	6.5	9.0	24.3	11.2	13.2
75-79	8.2	3.2	4.9	15.6	7.2	8.5
80 and over	4.5	1.6	3.0	10.8	4.5	6.2

Labor and Employment Problem

The objective of restricting the increase of population has been generally achieved thus far. However, the more important aspect of Japan's population problem is the question of employment for the available labor force. The tremendous increase in population in the years immediately following the end of the war was mainly due to the repatriation of overseas Japanese nationals, composed for the most part of young men of the working age group. (The labor population refers to persons between 15 and 59 years of age who have the intention and ability to work but excludes disabled persons, housewives, students and convicts). On the basis of the age composition of the population today, the labor population can be expected to increase in the future.

The following table shows the estimates of the Institute of Population Problems on the character of Japan's labor population from 1950 to 1960:

TABLE C

(Unit: 1,000)

	Total	Male	Female	Total	Male	Female
1950	36,885	22,329	14,556	—	—	—
1951	37,654	22,813	14,841	769	484	285
1952	38,353	23,251	15,102	699	438	261
1953	38,971	23,637	15,334	618	386	232
1954	39,714	24,101	15,613	743	464	279
1955	40,569	24,637	15,932	855	536	319
1956	41,429	25,176	16,253	860	539	321
1957	42,235	25,680	16,555	806	504	302
1958	43,063	26,197	16,866	826	517	311
1959	43,631	26,550	17,081	568	353	215
1960	44,114	26,852	17,262	483	302	181

As indicated in the above table, the labor population is expected to increase from 36,885,000 in 1950 to 44,114,000 in 1960, representing an average increase of about 720,000 a year for the 10 years. Japan is faced with an annual increase in her labor population at approximately this rate provided the ratio of the non-labor population to the labor population remains the same and the death rate does not increase.

The question of providing employment to this growing labor population is a matter of vital importance not only from a social but also from an economic viewpoint. If Japanese industry is unable to provide employment opportunities to the labor population, Japan will be subjected to a continuing social pressure and a deterioration of her economic life.

According to a labor force survey of the Statistics Bureau of the Japanese Government, the labor population of Japan in June 1952, was 39,350,000 and the number of those employed was 38,930,000, leaving 420,000 persons unemployed. This survey revealed that almost 99 per cent of Japan's labor population then had employment. In reality, however, the unemployment situation was far worse than that shown by the statistics.

In prewar years, it was customary in Japan during depression periods for many of the unemployed to be absorbed in the farming industry or retail trade. Thus statistically they did not appear to be unemployed, and unemployment as such was latent. This tendency became conspicuous in postwar years.

Persons employed in the agricultural and forestry industries in June 1952 totalled 18,510,000, according to the labor force survey. The prewar agricultural population was generally constant, totalling 14,130,000 in 1930 and 13,840,000 in 1940. On the basis of the area of existing cultivated areas in Japan and the method of cultivation, a farming population of 14,000,000 is deemed reasonable.

The postwar farming population, however, showed a gradual increase from year to year while the area of cultivated land decreased. Today the farming population has exceeded 18,000,000.

Among the reasons for this increase in the postwar farming population can be listed the following factors:

1. Many of the Japanese nationals repatriated from overseas territories after the end of the war are now living in farming areas.

2. Many of those persons who became unemployed as a result of the wartime devastation of industrial facilities in urban areas have moved to the rural areas.

3. The flow of the excess population in the farming areas to the urban areas has virtually stopped. During the prewar development of Japanese industrial economy, the industries which underwent a remarkable growth under the capitalist system of economy obtained the requisite manpower from the farming areas. In periods when industries

suffered from depression, this manpower flowed back to the rural areas and created an economic burden on the farming population. In the final analysis, however, the farming areas benefited under the industrial system since they had a labor market for their excess population.

The industries, which are generally concentrated in the urban areas of Japan, are still weak from the effects of the recent war and are unable to absorb the excess farming population. The result is that the excess labor population is forced to remain in the farming areas.

This characteristic of a latent unemployment situation can also be noted in the conditions of commercial activities. The labor population engaged in commercial activities in June 1952 was 5,390,000, which is considerably greater than the 4,470,000 in 1930, when a serious economic recession resulted in a fairly large number of potentially unemployed persons moving into the commercial field of economic activities. A major reason for this phenmenon was that many unemployed persons were unable to go to the farming areas and remained in the cities by undertaking such occupations as peddlers or street vendors. Although the statistics appear to show a favorable trend in the employment situation, latent unemployment is intensified by the unsound distribution of the labor population in the various industries of Japan.

The number of Japanese engaged in the manufacturing industry in June 1952 was 6,310,000, a tremendous drop from the 8,132,000 in 1940 and the wartime peak of 9,131,000 in 1944. The decrease was the result of the closing down of the war industry at the war's end and the delay in building up the peacetime industry.

Many who had lost their jobs in the manufacturing industries poured into agricultural and commercial fields as latently unemployed persons. Moreover, although the number of persons employed in the manufacturing industries has been cut down to approximately 6,300,000, there is danger of a further drastic reduction in the event of an economic depression.

The Government has taken up various plans to meet the problem of excess labor in Japan. In 1947 it established the Emergency Reclamation Program to reclaim 3,800,000 acres of land in 12 years. About 4,000,000 persons were expected to be given employment in the agricultural industry after the reclamation program was completed. However, considerable amounts of funds are required for the program, and no immediate relief is provided for the approximately 4,000,000 excess labor force in the agricultural fields.

Since 1948 the Economic Stabilization Board has been preparing plans for economic rehabilitation and self-sufficiency. These overall plans were intended to build up the economic power of Japan to the 1930-40 level with full consideration being given to the increase in the population. These plans emphasized the development of the manufacturing industry and the expansion of foreign trade. The importance of industrial development and trade promotion is recognized, but the major problems of obtaining capital, including foreign investments, for the development program and of expanding foreign markets for Japanese products remain unsettled.

Conclusion

The birth rate in Japan increased sharply in 1947 as ex-servicemen and repatriates came back to rejoin their families or be married after the end of the war, but this rise was of a temporary nature and by 1951 had decreased to the level nearly equal the birth rate in Western countries.

The trend toward fewer births and a lower death rate that has developed in Japan will contribute toward a reduced pace of population increase to the benefit, at least temporarily, of a nation suffering from over-population. However, in later years the nation will see a disproportionately large number of persons in the old-age brackets.

The population problem of Japan is so deep-rooted and complicated that the decrease in the birth rate alone will not be a solution. The more important question is how to provide the employment opportunities to the existing and constantly growing population.

Japan has been studying ways to overcome this great problem, and though industrial development and trade expansion are one of the means, international cooperation is a prerequisite.

PLANNING & DEVELOPMENT IN INDONESIA

With its income per capita of about US$70 per annum Indonesia ranks among the lesser-developed low-income countries. Precise population data are not available, but estimates about its population indicate a number of 80 million, of which 52 million live in Java, 12 million in Sumatra, 4 million in Borneo, and about 12 million scattered in the eastern part of the Archipelago. Its population is not homogeneous; principal minority groups are two million Chinese and some hundred thousand Europeans, but these minorities kept key positions throughout history in the country's economy. The Chinese are middlemen and traders; their position in domestic industry is growing. The Europeans, mostly Dutch, began first to settle as traders of spices but then turned to production also. They mainly concentrate on the production of export crops and extractive mining, while the whole external communications are their monopoly.

With non-Indonesians in the key positions of the economy, the Indonesian population is mainly confined to food production on very small holdings (on Java 0.75 ha. for a family on the average) or to working as labourers on estates. This leaves them no room for expanding their income, and practically prevents capital accumulation among the Indonesian part of the population. That is why the foreign part of the economy is ever expanding while the indigenous part is stagnant.

Exports contribute up to 30% of the national income. These export commodities are mainly agricultural and mineral raw materials, subject to heavy fluctuations in the world market. The prices of rubber and tin skyrocketed during the Korea boom but fell steadily during the post-Korean recession.

The fiscal structure of the country is such that about 75% of Government revenues come directly and indirectly from foreign trade earnings. Since the bulk of development outlays has to come from Government resources, it is unavoidable that these fluctuations hamper a steady development of the country.

Need for Planning

To raise the standard of living of the Indonesian population a planned and co-ordinated effort is indispen-

sable. What the country needs is not only to raise production, but since this is closely related to the pattern of production (the so-called economic structure), this whole structure has to be changed and developed in a direction which can guarantee a more harmonious future development. Through lack of industrial development the system is heavily unbalanced, producing only raw materials whose prices are subject to extreme fluctuations. Overpopulation in relation to land holdings in Java and stagnant industrial development prevent per capita income from rising. Therefore, development for Indonesia means structural change in the direction of a more balanced economy, leading towards an industrial development with primary emphasis on the needs of the home market.

All national resources have to be co-ordinated in the effort to achieve this. Since the low income does not permit huge resources to be used in this development, priorities and timetables have to be fixed in order to allocate these resources according to direction and time. If the economic forces are to be permitted to operate freely, only reinforcement of the present unbalanced structure will be the ultimate result. For instance, under uncontrolled conditions a domestic industry will face many hardships in its development because the internal market is so weak in its purchasing power. Besides this, infant industries, unable to curb their cost through lack of "external economies" (e.g., cheap power supply, transportation facilities), never will be in a position to meet competition from imported products.

Priorities in Planning

Food production always comes first in priority. Investments in this industry generally do not require extensive amounts of capital. In the past years Indonesia has been short in its food supply and in 1952 US$130 million had to be spent on imports of rice, consuming nearly 20% of the foreign currencies allocated for imports. This shortage in 1952 constituted about 10% of the consumption. But fortunately Indonesia has the factors that favour a rapid advance in this food production. With better care, better seeds, improved water-supply facilities, and with the use of fertilizers, this 10% shortage is ready to be filled. A very favourable factor that has speeded up the achievement of self-sufficiency in food production is the mentality of the farmers. The attitude of the farmers towards innovations aimed at improving their techniques of production has changed considerably in their favour. This may be one of the fortunate results of the social changes in this country. Social upheavals and disruption of existing social structures have ultimately touched the outlook of the farmers, shaking off their traditional conservatism.

The Government originally had a plan (the combined Kasimo-Wisaksono Welfare Plan) to reach self-sufficiency in food production in 1956, but the aforementioned favourable attitude of the farmers will enable the target to be reached before that time. It is expected that already in 1954 self-sufficiency in food production will be reached. A small quantity (about 100,000 tons) will still be imported but for security reasons only, in order to have a stockpile to cover seasonal fluctuations.

Transmigration of people of the overpopulated island of Java to the lesser populated "outer islands" (mainly Sumatra, Borneo and the Celebes) ranks second in the priority list. Any kind of development on Java island is impeded by the population pressure which reduces the income per head, leaving no opportunity for an expanded market to absorb industrial products. This lack of market limits the possibilities for industrial expansion only to import-replacing industries.

In the meantime the less expensive way of lessening the population pressure of Java has to be carried out. This is the transfer of people from Java to Sumatra and the other islands. It is, however, not the intention to transplant the agricultural pattern of production of Java to the outer islands, because such a policy will unavoidably create the same social problems of poverty and stagnancy in those islands. The transfer of people to the other islands has to be fitted into an overall (island) development scheme, directed toward a balanced structure and exploiting all kinds of resources available in the region.

Java has a net population increase of about 800,000 persons per annum who have to be provided with food and jobs. It is also estimated that 30% of the rural population is under-employed. This part of the population can be transferred to other jobs without affecting the agricultural production. Therefore, a target has been fixed to transport at least 500,000 people per annum to the other islands, a goal of no mean proportions. It is a tremendous task and one which up to now has not been attained. The country is still occupied in building the apparatus to implement this gigantic task.

Third on the priority list comes industrialization. This is also an immense task the nation has set itself to carry out. Heavy capital will be required for large-scale industrial development providing enough job opportunities to absorb the overpopulation and the increase in population. Domestic capital will certainly not be sufficient for this purpose, so any amount of foreign aid will be very useful. In the meantime, the industrial policy must pay great attention to investment projects with less capital requirements but which will be more labour intensive. Thus small-scale and cottage industries are the core of the planning and implementation. But at the same time, efforts have been devoted to surveys of the possibilities of larger-scale industries and even some basic industries such as a cement plant, a spinning plant (both under construction), a fertilizer plant and other important chemical plants, while the possibilities of setting up an iron industry are also being investigated.

The development of industry needs facilities such as cheap fuel and power and a good transport system to serve as "external economies". So power development and the building up of an efficient transport system are vital in the planning priority list. Java already has a good inland transport system. The road system of Sumatra has been subject to some neglect in the past and now needs improvement and also considerable expansion to meet the growing need of development. In the past years big public and private investments went into transportation, among others $60 million from the EXIM-bank loan. Air transport is expanding as is also the sea-borne inter-island transport, but the latter is still lagging somewhat. One of the great bottlenecks to development is the lack of trained personnel to implement all these plans, while perhaps the greatest hurdle to industrial development is the insufficient availability of technical and managerial skills. Planning also needs an efficient and competent public administration which is still lacking in the country. Therefore, training and educational programmes are vital to the country's planners and sufficient financial resources will be devoted to this object. Last comes social services, such as the improvement of health conditions, since in certain areas (e.g. swampy areas) these curb productivity.

Work of the Planning Body

Indonesia has a National Planning Bureau as the instrument of the National Planning Board, the latter consisting of ministers of welfare ministries and staff of the

FAR EASTERN
ECONOMIC REVIEW

THE INDONESIAN NATIONAL BANK

By A. Karim

The role of banking in a nation's economy, particularly in granting credits and in the country's general development, is a vital one. That of a national bank in contributing to the well-being of the population is doubly vital, especially where the country is underdeveloped and existed for 350 years under a colonial economy. In Indonesia, Bank Negara Indonesia is the only State bank truly national in essence and spirit, playing a leading part in promoting a national economy system. But for its efforts in support and assistance, many of today's growing Indonesian enterprises would not be in existence.

Throughout the years, prior to the transfer of sovereignty, foreigners virtually monopolized commerce, trade and those industries inherent in a land rich in the products from the soil—rubber, tea, coffee, sugar, petroleum, etc. To give concrete evidence to Indonesia's independence, proclaimed in August 1945, the Government of the Republic of Indonesia decided a central bank would be the logical instrument for that purpose. Thus, preparations for the creation of a national bank were made while the country was in the midst of a revolution.

That central bank, ultimately known as Bank Negara Indonesia, was established in July, 1946 by the Indonesian Government; however, it functioned not only as the Government's central bank but as a commercial and industrial bank as well. Its three years of existence between the time of Proclamation of Independence and before the transfer of sovereignty, were not without extreme difficulties. Its initial capital was only 340,000 guilders, emanating from a fund raised by the people of Indonesia to finance their struggle for independence. Originally set up in Djakarta, it followed the Central Government of the Republic to Jogjakarta due to an outbreak of hostilities with the Dutch.

In face of such adverse circumstances, between August 1946 and December 1948, Bank Negara Indonesia was able to put the Republic's monetary system on a sound basis by the issue of the National Loan of 1946 and by withdrawing Japanese currency from circulation by functioning as the apparatus through which the Government's currency was circulated to replace that of the Japanese. In the economic field during this same period, Bank Negara Indonesia granted credits for gold-mining in Tjikotok, sugar mills in Central Java and the small-scale but widespread native industries, apart from extending credit facilities to commercial firms. When, in 1947, the Government carried its struggle for independence beyond its national boundaries by establishing representations abroad, Bank Negara Indonesia assisted in providing funds for the support of these newly-established outposts.

In May 1949, negotiations were concluded between the Indonesians and the Dutch looking toward the transfer of sovereignty and to be finalized later that year at the Round Table Conference in The Hague. Bank Negara's status was somewhat indefinite until negotiations with the Dutch at the Conference determined that central banking functions of the newly sovereign state would rest with De Javasche Bank and that Bank Negara would be transformed into a Reconstruction and Development Bank, countering a Dutch proposal to set up a mixed Netherlands-Indonesian Reconstruction Bank, regulations governing which the Dutch had already fixed. Bank Negara difficulties were not solved by the mere transfer of sovereignty. Its initial capital after the transfer, totalling 17,500,000 rupiahs, was barely sufficient for use as a cash reserve for the Bank's offices, by then located at both Jogjakarta and Djakarta. In fact, this amount was even less than the value it could claim for the loss of thousands of tons of sugar, as well as other goods and equipment, to Dutch occupation forces.

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In September, 1950, by proclamation of the Ministry of Finance, Bank Negara was authorized to handle foreign exchange transactions, the first and only national bank granted such authority outside the central bank, the latter still active in commercial business. During the first two years after the transfer of sovereignty, Bank Negara was responsible for setting up the first Indonesian commercial insurance company; Bank Negara made the arrangements and fully financed the first and to date, the only, motor vehicle assembly plant completely owned and operated by Indonesian nationals; an Indonesian paint, ink and varnish factory was established through the initial financial support of Bank Negara; in Sumatra, Bank Negara financed Indonesian firms which now operate a public transportation system covering thousands of miles and involving hundreds of vehicles, prior to which the majority of this type of transportation was in the hands of non-Indonesians. The first and only Indonesian-owned and operated dockyard in the whole of West Sumatra owes its existence to Bank Negara, its financier and supervisor capable of handling inter-insular ships up to 600 tons. Before its erection, the nearest docking facilities were at Djakarta. In cooperation with the Ministries of Religion and Finance, Bank Negara was instrumental in setting up a sea transport company by purchasing two ocean-going vessels, principally for the purpose of transporting pilgrims to Mecca. Only Bank Negara made it financially possible for the creation of private Indonesian banks. Bank Negara has financed and helped establish Indonesian firms manufacturing light machinery.

To indicate the scope and diversity of Bank Negara's activities, as early as 1951 it had granted credit facilities in fields ranging from trade and industry to publishing, transportation, building, agriculture and culture, totalling

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ministries. With the aid of 10 foreign experts provided by the United Nations and an engineering consultant team, this Bureau is processing a national development plan somewhat along the same lines as the Indian Five Year Plan. However, this plan is still in the early stages of processing and will not be completed before the end of 1954, provided that sufficient data are available. The planning of India is aimed at doubling income per capita in about 30 years, and all investments and the rate of growth in these investments are projected toward this aim. Since basic statistics about national income, net reproduction rates, possible rates of savings, and figures about capital ratios are lacking in Indonesia, and will still be lacking in the immediate future, it is possible that planning in Indonesia will proceed more on the basis of project planning, fixing several projects that fit in the priority list and that do not exceed the financial capacity of the Treasury. Therefore, this future plan will probably not cover the whole economy but will be confined more to the public sector. As basic statistical data become available in due time, the whole economy can be covered in the plan.

almost 250,000,000 rupiahs in outstanding credits at the end of that year. Today, more than 500,000,000 rupiahs are represented in outstanding credits.

Near the end of 1951, Bank Negara began extending its operations by opening branches and presently maintains thirteen such offices throughout the archipelago. The Bank has to date concluded agency arrangements with seventy-six banking institutions in the principal cities of the world, despite its short life as a foreign exchange bank. Although in its original form, Bank Negara was active in development and reconstruction financing, these activities were transferred to Bank Industri Negara, a Government institution set up in February of 1952 (Bank Rakjat Indonesia, established in August 1951 for the purpose of granting credit facilities to the lower income groups, was a former Dutch Government Agency, the Algemene Volkscrediet bank).

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These, then, are some of Bank Negara Indonesia's accomplishments toward developing a national economy and promoting the interests and welfare of the Indonesian people, all without benefit of foreign managerial assistance. The tasks it performed and the course it followed—outside the scope of activities of a central bank as it was originally established by Government Regulation—needed no dictation by statute or mandate, but were a moral and social obligation to the people and the Government. To compare Bank Negara with other banking institutions, or even to criticize Bank Negara, one must recall its unusual history, the background of events during its history—only in that way can the merits of Bank Negara Indonesia be properly judged.

At this juncture, it is well to emphasize that although Bank Negara had a legal status effective through Government Regulation in Substitution of Act No. 2 of July 5, 1946, such legality is not applicable under the Republic of Indonesia as it exists since the transfer of sovereignty. The Government has not yet taken the steps necessary to define Bank Negara's status from a legal standpoint. Apart from that, the Indonesian Government has not promulgated any Bank Act under which banking institutions domiciled in Indonesia are regulated or controlled, and as a result, Bank Negara finds itself competing with banks established over the years, the majority of which are Dutch and still operate and function under the laws established by the former Netherlands Indies Government. The combination of these factors makes it all the more difficult for Bank Negara Indonesia to carry out its tasks to the fullest degree of achievement and benefit.

To date, insofar as banking in Indonesia is concerned, legislature has been passed effectuating only nationalization of De Javasche Bank, now Bank Indonesia. In one sense of the word, this process of nationalization can be considered as theoretical since in practice, its activities are not to any great extent promoting native enterprise. So that, even today, Bank Negara Indonesia remains as the sole banking institution maintaining a national purpose.

More important than the nationalization which led to Bank Indonesia in its present state is a decision on the part of the Government setting forth the legal basis on which all banks in Indonesia must operate, determined by the Government's policy toward banking's part in Indonesia's economy. World wide, governments, for a variety of reasons, have seen fit to control banking by law. State control, to one degree or another in Western countries dates back to more than 100 years. Of those countries attaining independence since the end of World War II (India, Pakistan, the Philippines and Ceylon), Indonesia alone stands apart from some sort of bank regulation as contained in an all-inclusive national bank law, although the Act nationalizing De Javasche Bank stipulates that Bank Indonesia shall control the credit system in Indonesia, and pending legal provisions, by decree of the Government shall control solvency and liquidity of banks and other credit institutions. Such control is hardly more than the normal practice of a central bank but in Indonesia, it is not sufficient nor adequate to fulfil its obligations to the nation. The nationalization act further states that it is the task of Bank Indonesia to promote credit for national institutions and national banks. As already mentioned, only Bank Negara thus far has taken steps toward financing Indonesian banks.

PROGRESS IN KALIMANTAN

Indonesia's largest island, Kalimantan (Borneo), formerly a terra incognita, has been much in the news lately. The main reason is that the Indonesian Government has high hopes of helping Kalimantan to become the rice "granary" and store-house of Indonesia. Furthermore, the existence of undeveloped minerals on the island may well provide a source of great wealth for the country in the future. To understand the place of Kalimantan in the economy of Indonesia it is necessary to have some idea of the nature of the geography and demography of the island.

The northern part of the island is British, and the Indonesian part covers an area of 208,300 square miles with a population of only three and a half million. The island consists of impenetrable jungles, and many big rivers like the Martapura, the Barito, and the Kapuas, which form the main lines of communication. It is possible to travel for days along these rivers without seeing any settlement or person. The vast jungles are of great use, however, for they supply various kinds of timber and wood products. Minerals found in the island include oil, coal, manganese, iron, gold, and diamonds. The capital of Borneo is Bandjarmasin, on the Barito river, situated on the south coast. Other important towns are Pontianak, on the west coast, a trading centre, and Sampit, north-west of Bandjarmasin, which has a flourishing timber industry. Balikpapan and Samarinda on the east coast are two important oil centres, while Martapura, near Bandjarmasin, is well known for its small but old-established diamond and gold extracting industries.

Kalimantan made its entry into Indonesian history at a comparatively recent date. Old civilizations had flourished in Java and Sumatra during the middle ages, but during this period it has been assumed that the original population of Borneo, the Dayaks, were still at a fairly backward stage of their development. Head-hunting was widespread in those days, and still existed up till the previous century. Cut off from the rest of Indonesia, the Dayaks began to attract the attention of sea traders who ventured into the interior of Kalimantan. The sea traders discovered that the Dayaks were already familiar with the use of iron implements and gold ornaments, as well as diamonds. The number of migrants from Sumatra, Java and the Celebes to the coastal areas of Borneo increased to a steady flow. Today, ceremonial head-hunting does not exist among the

Dayaks, and the settled population, formerly nomads, have started to share in the progress of the rest of Indonesia.

There are at present 49 Dayak tribes in the heart of the island, who practice a primitive form of agriculture and the rearing of livestock as their means of livelihood. Education is a feature of life that is new to them, and it is interesting to note that the passionate love of head-hunting said to have characterized the people in former times has now given way to an equally ardent desire to achieve better educational standards. There are 150 schools in the Dayak's territory, and the number is increasing every year. The coastal populations, who were originally migrants from other islands, have on the whole much the same standard of life and education as the rest of the Indonesians outside Kalimantan.

The vast jungles represent treasures upon which a considerable part of the population depends for its subsistence. Sampit, the centre of the timber industry, has become increasingly important in the past few years, and now lies on the Garuda Indonesian Airways' line and the K.P.M. shipping line as a scheduled stopping-place. The Dayak Wood Company in Sampit produces 63,000 cubic metres of timber annually. Although the yield is used primarily to meet Indonesia's reconstruction requirements, part is exported to Malaya, Europe, Australia, and South Africa.

Nature has also provided Kalimantan with many mineral resources. Firstly, there are the oil fields found in Balikpapan, Samarinda, Sanga-sanga, Kambodja, Tandjung, and the islands of Bunga and Tarakan. The centre of the oil refineries is Balikpapan, which is operated mostly by the B.P.M. The B.P.M. refineries there have recently undergone a reconstruction, now completed, after 6 years of strenuous labour following the serious and extensive damage inflicted on the refineries during the war years. Nevertheless, not all the oil wells in Kalimantan have been put back into operation. Those at Tandjung, and at Bungu island off the coast of Kalimantan, are being repaired. The wells at Kambodja and Sanga-sanga already in operation produce some 36,000 tons of crude oil per month, while the Tarakan island refinery wells, which suffered the worst damage during the war, have a production capacity of 32,000 tons of crude oil per month.

Kalimantan also has considerable deposits of iron-ore, manganese, gold and diamonds, but most of these have not been worked yet. However, the small gold and diamond industry in Martapura has already achieved popularity beyond the Indonesian borders.

West Kalimantan, with Pontianak as the capital, is the second producer of copra in Indonesia, with an annual output of 60,000 to 70,000 tons of dry copra. Work on the copra plantation there is mostly organised through the 25 copra cooperatives, who receive any help that is required from the West Kalimantan Copra Board.

Despite all this natural wealth, Kalimantan, as a whole, is still poor and undeveloped. At present, it cannot start a programme of industrialization, as extremely large capital sums would be required, which the central government would not be able to afford. Industrialization for Kalimantan is therefore an impossibility for the time being. On the other hand, great plans for the mechanization and promotion of agriculture on the island are being carried out. A part of this work, the Kalimantan project, calls for the speedy reclamation of extensive wastelands near Bandjarmasin, and their conversion into fertile areas for cultivation. When completed, these large wastelands will produce at least 600,000 tons of rice annually. In order to speed up the completion of the vast agricultural plan, four foreign experts are now working on the staff of the Kalimantan project, and several more are expected to commence later on this year.

Important machinery, including tractors, bulldozers, and machines for clearance and drainage purposes are already being used on the spot. Fourteen Indonesian officials in the Agricultural Service have completed a year's practical study of agricultural mechanization in the United States, and the experience that they have acquired there is sure to be of great value in the future. The costs involved in carrying out the Kalimantan Project are high by Indonesian standards, but they will be more than covered later by the production of foodstuffs and other products, as wasteland is reclaimed. Furthermore, the long-cherished aim of self-sufficiency in rice-production for a large, and increasing population will finally become a reality.

Already a small section of the large project, located in the area of Bandjarmasin and its surroundings, has been completed. Private initiative has been active in clearing and draining the swamps surrounding the town, and on the newly reclaimed areas, modern buildings have been erected, and new roads have been constructed to keep up with the expansion of the town. The experience in transforming swamps into arable land which has been gained during the course of this small section of the whole project will prove invaluable for the later completion of the rest of the operation. Modern techniques, applied by people whose enthusiasm is enabling them to overcome great obstacles, are transforming Kalimantan from a steaming wasteland to one of the most important and up-to-date agricultural centres of Indonesia.

THE GROWTH OF THE INDONESIAN LANGUAGE

The motto, "One nation, one people, and one language," adopted by the nationalist movement at the Youth Congress of 1928 is a striking illustration of the close relationship of the cultural and political development of Indonesia. The promotion of a single Indonesian language undoubtedly had political significance as a means of developing unity of purpose among all Indonesians in the struggle for independence; it has even greater significance, however, as a symbol of the reawakened sense of cultural unity.

The present Indonesian language is based on the pure Malay tongue. The decision to use this language as a base for the new Indonesian language involved historical, political, and practical considerations. The early Indonesian languages included ten major dialects such as Javanese, Sundanese, Madurese, Batak, Atjeh, Buginese, and Balinese with almost two hundred dialects used by smaller numbers of people. All of these languages belong to a single linguistic group, the Malayo-Polynesian, which includes the language spoken in the Malay peninsula and throughout the islands of the Pacific as far east as Hawaii. These languages developed separately and through the centuries have become mutually incomprehensible. On the other hand, the Malay language, which is flexible and adaptable, came to be used widely by Indonesian and later also by foreign traders in the coastal cities throughout Indonesia; thus it gradually became the Lingua Franca of Indonesia. Because of its use by foreigners in the past few centuries this language became considerably corrupted and came to be known as Bazar-Malay, distinguishing it from the pure Malay tongue.

Throughout the period of Dutch rule, the Indonesians continued to use their own regional languages and many Indonesians were familiar with several of these. This diversity of local languages presented no problem as those few Indonesians who were able to take advantage of the limited opportunities for education were expected to learn the Dutch language which was used in the schools. When the nationalist leaders began to consider the problem of a new common language for all Indonesians it was obviously impossible, on a nationalistic basis, to promote the use of the Dutch language. It was equally impossible to consider the use of Bazar-Malay because of its lack of prestige among the Indonesian people. It was also understood that it would be unwise, from the standpoint of national unity, to promote the use of Javanese as the common Indonesian language, although this was spoken by more than 30,000,000 people or more than half of the total population of Indonesia at that time. It was then decided to base the new language on pure Malay.

In the course of the actual development of the Indonesian language one can note traces of this linguistic history. The Arabic script, in which the regional languages were written, has been replaced in the Indonesian language by the Roman alphabet. There are many words of Sanskrit and Arabic derivation reflecting the early Hindu and Moslem influences. Other words have been borrowed directly from the original Indonesian languages, while many words derived from Portuguese, Dutch and English have also been incorporated. The Indonesian language, therefore, has already become different from that spoken on the Malay Peninsula. During the last war and the following revolution there were large movements of population, and this together with the prohibition of the use of Dutch or English during the Japanese occupation, had an important effect on spreading the knowledge and use of the new language throughout the islands. In 1943 an Indonesian Language Institute was established at Medan (Sumatra) and in 1945, after the declaration of independence, the Indonesian Government appointed a Permanent Commission to guide the growth and expansion of the new language. Particular attention was given to the need for devising a scientific terminology for use in such sciences as mathematics, physics, and chemistry, and in 1946 a technical dictionary was published.

Although the original (and regional) languages are still used among people of the same linguistic area the new Indonesian language has been adopted throughout the islands of Indonesia. It is of particular importance in relation to the need for a greatly expanded educational program, both at the formal school level and in adult fundamental education. Extensive literacy campaigns have been undertaken to teach adults to read and write, and the Indonesian language is used in all government publications as well as in motion pictures and other forms of entertainment. It is also now used exclusively in all schools after the first two years of primary education.

Many of the classics of European and Asian literature have been translated into Indonesian thus lending literary prestige to the new language. The development of a common Indonesian Language has also been of significance in relation to the growth of a modern Indonesian literature. In literature, as in the fine arts, the 20th century was the beginning of a new epoch, marking the transition from the static and traditional to the modern concepts of life. The literary works of the early years of this century therefore represented primarily a break with the Indonesian past and reflected the increasing contact of intellectuals with the Western world. Some of the European and American authors who have exerted the greatest influence on Indonesian writers are: Pushkin, Dostoievsky, Tolstoj, Malraux, Hemingway and Steinbeck. The popularity of these authors has perhaps been due to their moralistic tone. Although a high degree of literary achievement had been attained in the Javanese and Malay languages, this literature was closely bound up with the ancient Hindu tradition. The most common forms of this literature were the Hikayat, popular tales associated with Indonesian life, and in poetry the Pantun or Malayan quatrain, which was devoted largely as themes dealing with life in a feudal society and Hindu philosophy. It was not until the 20th century that these old forms were abandoned in favour of Western prose style, sonnets and free verse. Many writers began to write novels and biographies in the Dutch language but these were on the whole imitative of Western literature both in content and style rather than an indication of a new Indonesian style.

The revolutionary movement in Indonesian literature can be dated from the founding in 1933 of a monthly cultural review, the Pudjangga Baru (The New Literary Man). As in art, this movement was an expression of the desire of the writers to stress the liberation of the individual and the full development of the personality; it was essentially an outgrowth of the revolutionary spirit spreading throughout Asia and an expression of the desire of the people to achieve independence from foreign rule. While it was stimulated by the development of the new Indonesian language, it in turn gave added impetus to the growth of the language. The founder and editor of the Pudjangga Baru was Takdir Alisjahbana, who published his first novel in the Indonesian language in 1929, only one year after the Youth Congress had proposed the adoption of a common language for all Indonesia as one of the fundamental bases for national sovereignty. Takdir was aware of the static nature of both the cultural and material aspects of Indonesian life in the early 20th century. He stressed the cultural, material and economic advantages enjoyed by the Western nations whose dynamic growth he attributed to the concept of freedom. He therefore believed that the artist must be free to express his own ideas, released from the restraint imposed by tradition, but at the same time he was himself a product of the Indonesian cultural tradition of community cooperation and social responsibility. Accordingly, he felt that the artist should exercise his intellectual freedom not on the principles of "art for art's sake" but, rather, in fulfilling his function as a member of society and leader of his community, by applying modern concepts to the problems of contemporary life in Indonesia. The individual artist should, therefore, subordinate himself to the struggle for freedom and should be conscious of the ties binding him to the community.

JAPAN TRADE GUIDE FOR THE YEAR 1954

The Japan Trade Guide for the year 1954 has just been published and is on sale at the offices of the Far Eastern Economic Review, 322 Queen's Building, Hongkong (Tel. 32429).

The de luxe edition of the Trade Guide costs HK$63, and the popular edition HK$17.20.

A limited number of copies of the Japan Trade Guide for 1953 are also for sale at $20 (de luxe edition), and a few books of de luxe edition of the Japan Trade Guide for 1952 are for sale at HK$15.

The Japan Trade Guide is an essential reference book for bankers, traders, manufacturers, librarians, economists and students of contemporary Japan.

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ECONOMIC REPORTS FROM THE UNITED STATES

By E. KANN (Los Angeles)

Items of General Interest

General Motors Corporation, the largest manufacturing concern in the world, announces first half profits which exceed the corresponding period of 1953 by 36%. This, in spite of the fact that sales were down this year 7%. Sales of passenger cars manufactured in USA amounted to 1,525,000, versus 1,540,000 in the like period of 1953. The main reason for the earning boost is the huge reduction in taxes (E.P.); these dropped by over 200 million dollars in the course of the first semester.

Firestone Tire & Rubber Co. is setting up a new factory near Los Angeles where guided missiles are to be produced. Cost of the building will be 2 million dollars.

A preliminary agreement has been reached between the Hilton Hotel chain and the Statler Hotels. In fact, Hilton has bought the controlling interest from the Statler family and is now negotiating for the acquisition of stock in possession of private shareholders. If and when the deal will be completed, the purchase will involve a sum of about $76 million.

The Association of American Railroads estimates the net income of Class 1 railroads in USA at $224,000,000 for the first six months of the current year. This signifies a reduction of 46% from the $418,000,000 for the first half of 1953.

Tax revision so far in 1954 is represented by a slash of $7½ billion. Such a large sum cannot be derived from reduction in government spending, so that there might be a mild inflationary effect. But the United States economy can take it.

According to the Exchange Magazine, cash dividend payments to owners of common shares listed on the New York Exchange rose to a record high of $2,966,388,750 in the first 6 months of the current year; this is 7½% above what was paid out in the first semester of 1953. On a percentage basis aircraft stocks made the best showing, 19 issues in that group boosting their cash dividends 77.3% over a year ago. Paper and publishing share dividends showed a 26% rise; and electrical equipment stocks accorded a dividend increase of 21.8%.

The large American Woollen Co. laid the groundwork for a three-way merger with Textron, Inc. and Robbins Mills. American Woollen would acquire Textron's textile properties, as well as 41% stock interest in Robbins Mills which Textron recently had bought from J.P. Stevens & Co.

Iron Age reports that American Steel production in the second quarter was 2.2% below the first three months of 1954. Nevertheless, the industry's earnings mounted 15.7%. Considering the first half year of 1954, it is found that while production was 24% lower than in the first six months of 1953, earnings declined only 15.7%. The general expectation that there will be an upturn in steel production is based upon the heavy reduction of steel inventories.

Chrysler Corporation cut its dividend for the second quarter by one-half, which means only 75 cents are paid out instead of the usual $1.50. The company reports production this year through July was 482,471 cars and trucks, compared with 884,000 in the first seven months of 1953.

First Half Earnings

As is my habit, I reproduce below a tabulation of net earnings of the larger corporations for the first semester of 1954 and compare these to the identical period of 1953. The statement itself is interesting and self-explanatory. A few words of interpretation might not be amiss as regards the two groups of steels and railroads. Both these lines divulge lower earnings for the current term (the rails about 45% less than last year), and yet both stocks were booming on the New York Stock Exchange. The reason for this apparent anomaly is to be seen in the sweep of optimism concerning the turn of the tide at an early date.

Name of Corporation	Net earnings first half 1954 (thousands)	$ per share 1954	Net earnings first half 1953 (thousands)	$ per share 1953
Allied Chemical & Dye Co.	22,695	2.56	21,719	2.48
American Cyanamid Co.	13,102	1.50	16,849	1.95
Merck & Co.	6,334	0.54	6,209	0.53
Dow Chemical Co.	33,425	1.42	35,857	1.58
U.S. Rubber Co.	14,443	2.23	14,440	2.23
Borden Co.	10,780	2.51	9,660	2.25
Mathieson Chemical Co.	9,226	1.61	9,211	1.62
Charles Pfizer & Co.	7,333	1.42	7,617	1.48
Coca Cola Co.	12,016	2.81	12,940	3.03
Pepsi Cola Co.	2,385	0.41	2,775	0.48
General Motors	425,250	4.79	312,846	3.51
Westinghouse Electric	45,359	2.75	35,660	2.19
Pullman Inc.	7,937	3.62	5,715	2.61
Internat. Business Machines	21,600	5.27	15,576	3.60
American Can Co.	13,070	1.07	12,421	1.01
Kopper Co.	3,296	1.55	4,572	2.29
Americ. Radiator & S.S. Co.	7,221	0.70	6,412	0.52
Olin Industries	7,726	1.46	6,723	1.28
Gruman Aircraft Eng. Co.	5,026	2.51	4,676	1.84
Boeing Airplane Co.	17,350		9,178	
General Motors Acceptce Co.	18,269		11,113	
United Aircraft Corp.	13,267	3.91	12,330	3.66
Union Bag & Paper Co.	5,479	3.09	5,150	2.91
Glen L. Martin Co.	6,842	1.99	4,503	1.29
General Telephone Corp.	7,133	1.29	6,938	1.63
Pittsburgh Plate Glass Co.	16,808	1.85	20,767	2.30
Lone Star Gas Co.	10,012	1.66	9,693	1.75
Borg Warner Corpor.	9,991	4.05	10,845	4.41
Bell Aircraft Co.	4,320	3.57	1,891	2.14
Minesota Mining & Manufg. Co.	11,644	1.39	9,056	1.09
General Americ. Transportation	5,510	2.52	3,779	1.73
Weyerhaeuser Timber Co.	18,835	3.03	18,857	1.03
American Home Products Corp.	8,076	2.10	6,358	1.65
Chrysler Corporation	15,792	1.81	44,137	5.07
National Dairy Products	18,960	2.82	15,863	2.40
Bigelow Sandford Carpet Co.	174	—	2,104	2.03
Gulf Oil Corp.	77,942	3.18	75,761	3.09
Sunray Oil Co.	11,523	1.04	13,979	1.29
Socony Vacuum	88,000	2.51	88,000	2.51
Continental Oil Corp.	21,859	2.24	19,994	2.05
Standard Oil of N.J.	293,000	4.84	269,000	4.42
Skelly Oil Co.	14,184	2.46	13,723	2.38
Richfield Oil Co.	12,394	3.10	12,989	3.25
Sinclair Oil Corp.	36,515	2.96	30,279	2.47
Ohio Oil Co.	19,493	2.97	20,400	3.11
Standard Oil of Ohio	8,044	1.90	8,506	2.02
Inland Steel	19,418	3.92	15,677	3.20
Jones & Laughlin Steel	12,147	1.84	16,363	2.52
U.S. Steel Corpor.	93,851	3.11	105,017	4.54
Wheeler Steel Corp.	4,383	2.45	7,056	4.33
Sharon Steel Co.	644	0.58	4,100	3.73
Interlake Iron Corp.	1,230	0.63	2,749	1.41
National Steel Corp.	13,025	1.77	24,075	3.27
Phelps Dodge Corpor.	19,326	1.91	18,879	1.86
Aluminum Co. of America	19,236	1.80	27,134	2.64
Climax Molybdenum	6,977	2.74	3,914	1.53
Kennecott Copper	42,149	3.89	45,293	4.18
Southern Pacific Transport	22,603	2.50	32,733	3.62
Northern Pacific Railway	1,125	0.45	5,411	2.18
Chicago, Burlington & Quincey	10,952	6.41	12,422	7.27
New York Central Railroad	6,702	—	16,694	
St. Louis San Francisco RR	2,842	0.74	5,535	2.27
Southern Railway	11,053	3.68	16,954	5.95
Chicago, Rock Island & Pacif.	7.574		12,835	7.95
Pennsylvania Railroad	5,665		19,100	
Western Pacific R.R.	1,757		3,702	
Atchison Topeka & Santa Fe	25,961	4.71	38,118	7.21
Atlantic Coastline R.R.	5,896	7.15	6,220	7.53
Union Pacific R.R.	29,531	6.19	30,550	6.42

AGRICULTURE, FISHERIES & FORESTRY OF HONGKONG

By W. J. BLACKIE, M.Sc., F.R.I.C., F.N.Z.I.C.
(DIRECTOR OF AGRICULTURE, FISHERIES & FORESTRY)

The Department of Agriculture, Fisheries & Forestry, as now organised, dates from April, 1950. It has grown considerably during the past few years in keeping with post-war agriculture and animal husbandry development in the New Territories, the need to protect water and soil resources by afforestation and the development of marine and fresh water fisheries to improve the protein requirements of an expanded post-war population.

The present department is a natural evolution of previous separate organisations upon which it is largely built and it is a sensible arrangement in keeping with the very special problems of Hongkong.

Apart from the director and the administrative staff the department comprises three divisions of: Agriculture & Animal Husbandry, Fisheries, and Forestry. Shortly a new division, that of Animal Industries, will be formed on the transfer of veterinary officers from the Urban Services Department. When this is effected the present division of Agriculture & Animal Husbandry will be re-styled Division of Agriculture.

Broadly, the Department of Agriculture, Fisheries & Forestry is concerned with the protection and development of the plant and animal resources of the Colony. It, of course, maintains routine technical services which give assistance and advice to farmers, fishermen, administrators and educational authority. By afforestation and the teaching and demonstration of approved farming and forestry practices attention is directed to the conservation of vital water supplies, of soil and soil fertility.

The department is mainly concerned with extension and advisory services. Certain technical investigations are undertaken but work of this nature is confined to short term enquiries of immediate and practical importance. The department works very closely with the Cooperatives & Marketing Department, the Department of Marine, the District Administration New Territories, and the Fisheries Research Unit of Hongkong University.

I have said that the department is concerned with protection and the development of plant and animal resources. Let us look at a few of the problems of the primary producer, some obvious, others not so obvious, as a background to the services of the department.

FORESTRY

Even the most careless observer cannot fail to be concerned at the erosion that has taken place in the New Territories following the stripping of plant cover over a large area of rolling and steep country. The actual loss of soil is readily appreciated but what is not perhaps so obvious is the loss of water for farming that follows the stripping of vegetal cover. The position is even more acute in Hongkong because the land mass is so small, the country is steep and broken, the water courses are narrow and relatively short. The net result is that water runs off rapidly during the wet season, carving gullies in poor country and loading reservoirs with silt and top soil wash. It is estimated that the run-off in poor country is as much as 70%.

Farmers of the New Territories, of course, adapted their farming to coincide with the wet season but, with greater demands for water by urban areas, water shortage for farming, particularly during drought periods such as we have recently experienced, is very apparent. In the opinion of the Department of Agriculture. Fisheries & Forestry the No. 1 protection job is the conservation of soil and water supplies and the way to do this is to proceed with a vigorous afforestation policy in catchment areas, on poor country and elsewhere on land unsuitable for agricultural development. This amounts probably to some 70% of our total land area.

We have this year, therefore, introduced such a policy which is now being actively pursued. Afforestation is to be stepped up to 1,000 acres per annum, more forestry reserves will be created and the forestry lot system is to be broadened into a scheme of village plantations by strict management and protection. This may ultimately lead to a major scheme of afforestation. The central nursery to raise the great number of plants required for this scheme is now being established at Fanling in the New Territories.

Other measures to improve water supply for farming have been going on for some time, financed by a grant from C.D. & W. funds. The Irrigation Engineer attached to P.W.D. has, over the past two years, done much to improve existing irrigation systems by straightening and sealing channel ways, repairing dams, digging wells and in other ways. This work has been undertaken in close cooperation with the Agricultural Division and with the District Administration New Territories. Further developments may, however, involve the impounding of water for farm irrigation. Several such schemes have been proposed by the Irrigation Engineer and are under consideration.

During the drought period through which we have just passed valuable assistance was given to farmers by the 7 portable pumps presented to Government by the Kadoorie Agricultural Aid Association. Also, the 2 pumps presented by the Rotary Club of Kowloon gave excellent assistance during the same period.

SOIL FERTILITY AND CONSERVATION

There is another important problem of conservation of first importance if farming is to be sustained at an intensive level. I refer to the maintenance of soil fertility.

The soils of Hongkong are on the whole of medium to poor quality, and it seems likely that natural fertility is not high. Without the sustaining silt from the flooding that keeps the arable soils of the interior alive, we can keep up fertility only by good management and the routine use of fertilisers.

One will appreciate the intensity of the local farming effort from the fact that from some 50 square miles of country the Hongkong farmer produces two crops of rice (equivalent to a month's supply) and, on last year's figures, 80% of the vegetables passing through the wholesale markets of the Colony. This is a major effort. Rice occupies the land for some 7 to 8 months, followed by vegetable and other catch crops. Only land without adequate water supply gets a long enough fallow period for recovery.

It is true that we cannot afford to keep land out of production when we have so many mouths to feed but we cannot keep up this pressure on relatively poor soils without constant attention to fertility maintenance.

This then is the No. 2 problem of protection of concern to the Division of Agriculture & Animal Husbandry.

Traditional Chinese methods including the use of nightsoil are valuable. In fact, since we import so much of our food the use of nightsoil means that we are fertilising our soil with a good deal of imported fertility.

There is another source of valuable material for which we must find a use. This is the city garbage which at present is largely wasted. Over a number of years the Department of Agriculture, Fisheries & Forestry has clearly demonstrated that a valuable compost can be prepared from city garbage and nightsoil. Several thousand tons of this material have been prepared by the Agricultural Division in its composting experiment at Tsun Wan. Experiments on agricultural stations have demonstrated its value as a manure.

Government is alive to the need of conserving this material for farming purposes but there are many technical difficulties to be overcome before a cheap and reliable process can be developed. Previous exploratory work indicated that the plant required would cost a large sum of money. The Urban Services Department are continuing with the experimental work begun by the Department of Agriculture, Fisheries & Forestry and we are exploring the production within the New Territories of compost prepared from farm waste and garbage from New Territories towns.

The use of these materials will help keep the soil alive and improve moisture retentive capacity. They will also add their quota of fertility but will not be enough to push up production and keep it at a high level under intensive cultivation. Nightsoil and compost, plus the other traditional Chinese fertilisers suitable for subsistence farming on good soils must be supplemented by economic dressings of artificial fertilisers.

Experimental work by the department has adequately demonstrated the fact that the supplemental use of artificial fertilisers pays handsomely. Today more and more farmers, aided by interest-free loans from the Kadoorie Agricultural Aid Association, are using the improved artificial fertiliser mixture of the department on rice and other crops. In the 1953/54 season some 31 tons of artificial fertilisers were used by farmers. In the present season 91 tons sufficient to cover 458 acres have been applied to rice land. Eleven farmers who used the mixture last year claimed a 20% increase in yield.

CONTROL OF DISEASE AND PLANT PESTS

The protection of animals and crops by the control of disease and pests is an important problem of farming and one that has exercised the constant vigil of veterinary staff and agricultural officers of the Department of Agriculture, Fisheries & Forestry. There is no point in breeding better livestock and teaching better management and feeding if animals succumb to disease. It is a waste of time to produce better crop varieties such as is being undertaken on departmental stations if yields are seriously affected by disease and insect pests.

The Senior Veterinary Officer with the assistance of the Animal Husbandry Division and its special inoculation teams has done much to bring under control major animal diseases such as rinderpest, swine fever, Newcastle disease, rabies and others. By strict and timely measures the Acting Senior Veterinary Officer last year prevented the spread of foot and mouth disease to the stock of the New Territories accidentally introduced with imported slaughter stock. There is much yet to be done in the different fields of protection before we can be entirely happy but with the transfer of the veterinary staff to the department and the provision of adequate laboratory facilities for diagnostic work a greater measure of control of livestock diseases can be confidently expected. Already the Veterinary Officer newly appointed for service in the New Territories is busily surveying the disease position, eliminating contagious abortion from pig breeding stock and setting up a veterinary laboratory at the H.Q. of the Department of Agriculture, Fisheries & Forestry.

By careful trials of various insecticides at Castle Peak against major pests of our economic crops agricultural staff have devised simple ways and means of dealing with this enemy to agricultural progress. The success of these investigations was clearly demonstrated during a major outbreak of army worm last season on rice at Kam Tin and Sheung Shui Wai. The pest hit the second rice crop just before final maturity and delicate handling was necessary to prevent loss from shedding. Using the irrigation pumps of the Kadoorie Agricultural Aid Association and spraying with proved and tested insecticides complete control was effected and losses reduced to a minimum.

A feature of this work was the close cooperation of the peasant farmers, the supplier of the insecticide and departmental staff. It was at once an education to farmers and a demonstration of cooperation in the control of a major plant pest. This work of testing in the laboratory and trials in the field continue as routine as does also field studies leading to the recognition of increased activity or dangerous concentration of bugs. The outlook of the department is to spot them and swat them before they can build up.

So much then for the major protection services of the department. Later, no doubt, when the work of the Fisheries Research Unit of Hongkong University has acquired and digested its information more attention will need to be given to the control of fisheries resources and fishing grounds. Other important protection services are concerned with the control of forest fires and illegal woodcutting. Also special services of the department are engaged on control duties connected with certificates of origin for the export of product to the U.S.A.

DEVELOPMENTS

Let us now consider a few of the more important development ventures with particular reference to the services of the Department of Agriculture, Fisheries & Forestry. Here it is necessary to point out that forestry development will in fact produce firewood and some timber for sale in due course. Primarily, however, its main function is one of conservation of soil and water. Also, the improvement of soil fertility and plant varieties will increase our agricultural production. Here, however, a limit is set to extensive development by the inadequacy of our land area. There is much still to be done in extending agriculture and pushing up production on existing arable areas. The land utilisation survey of the Colony by Dr. Tregear of Hongkong University, the detailed land utilisation survey of farming areas by agricultural staff of my department and the soil survey, which I have recommended should be undertaken, will give us the information needed to define agricultural extension.

When we turn to the sea, however, we can set our own limits to fish farming. We can harvest as much as our facilities permit and economic considerations allow. We can extend into the Pacific Ocean as far as we like and push up production in existing areas by using more modern ships and better fishing methods. The sea is the main source of good quality protein food for consumption in Hongkong and the export of fresh and salted fish. It is the source also for new industries of fish canning and other marine products. It can produce also the fish meal needed for the feeding of our livestock denied home grown foods from the limited land areas available.

The development of marine fisheries and pond culture of fish in the New Territories are the No. 1 venture of primary production.

Considerable progress has already been made over the past two years and I propose now to deal with a few of the outstanding results.

A fisheries policy was approved and the staff of the Fisheries Division extended and its facilities greatly improved. Like all good policies the fisheries policy is a simple one. It is directed basically to the improvement of fish landings on the local market and with this object the Fisheries Division is engaged on:—

(1) the promotion of mechanisation; (2) training of fisheries staff and fishermen in fishing; navigation and the care and maintenance of diesel engines; (3) survey of ponds and oyster beds and investigation and control work involved in certificates of origin; (4) introduction of improved fishing gear and fishing methods; (5) surveys of fishing craft and gear; (6) advice and technical assistance to fishermen and fishing companies; (7) cooperation with the Fisheries Research Unit of Hongkong University.

The division has been provided with a modified mechanised junk and shortly a modified purse seiner will be built locally from C.D. & W. funds for investigational and demonstration purposes. The loan scheme of $800,000 provided by C.D. & W. funds to allow fishermen to mechanise their vessels commenced operating toward the close of last year. This is under the control of the Department of Agriculture, Fisheries & Forestry and already the amount loaned is close to $200,000.

It is not my purpose here to dwell on the work of this practical technical Division of Fisheries except to say that, in brief, it is concerned with fishing, fisheries and the means whereby fish are caught, i.e., boats and gear. I want to refer more particularly to developments and more especially the acceleration of mechanisation.

A remarkable change in local fishing has followed the installing of engines in sailing junks. At first progress was slow but in 1953 by the cooperative efforts of the Fisheries Division of the Department of Agriculture, Fisheries & Forestry, the Marketing Department and private firms dealing in diesel engines some 150 junks were mechanised. Today the figure stands at 405 and there appears to be no slackening in the demand for engines.

With the demonstration by the department of the value of the capstan as a labour saving device in hauling nets and lines the demand for this gear is also increasing. Following demonstrations by the Fisheries Division of how to use a mechanised fishing vessel as a single purse seiner unit most of the purse seiners in Aberdeen, Cheung Chau, Kau Sai and Shaukiwan were operating singly. Previously the work was done by two vessels, usually a mechanised junk and a sailing junk. The survey in ships, men and gear means in effect at least a doubling of output.

What does all this mean in fish production? It means that the population of Hongkong received 2,715.5 tons more fish, numerous boat building yards built new boats or installed engines in old ones. Importers brought 178 new diesel engines to the Colony and U.K. manufacturers sold 110 engines in Hongkong.

Mechanised shrimp trawlers, gill netters and Ku Pang Tangs appeared for the first time on the register of mechanised fishing vessels. There was rapid development of local companies concerned with deep sea fishing. We now have 5 deep sea fishing vessels flying the Red Ensign and shortly there will be another 4. Our fishing industries are rapidly expanding.

There have been steady developments in livestock farming in the New Territories, particularly in pigs and poultry, and the Agricultural Division has been building up pig herds on agricultural stations for the supply of breeding stock. The work of the Kadoorie Agricultural Aid Association has been most successful.

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WEDNESDAYS Single Fare $370 Return $665

To RANGOON
FRIDAYS
Single Fare $630 Return $1,134

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Reserve Fund	**¥ 4,761,433,082.00**
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Deposit	**¥210,858,117,906.00**

(as of March 31, 1954)

HEAD OFFICE: Chiyoda-ku, Tokyo, Japan.
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ALKA BOTTLE CAPS FOR THE FAR EAST

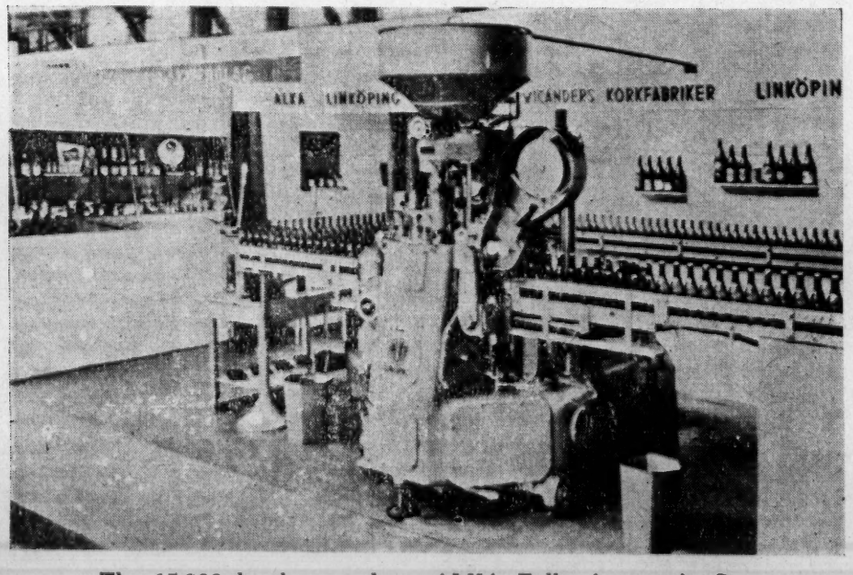
The introduction of the ALKA cap-making and bottle-sealing system in Hongkong opens a new era of Aluminium Bottle Caps in the Far East and would probably cause a gradual decline in the use of other types of bottle closure. This ALKA system was invented in Sweden in 1925, and today all beer, lemonade and milk bottles in that country are sealed with ALKA caps. In England, legislation has been passed that, as soon as possible after October 1954, all milk bottles must be closed with aluminium caps; and one company alone—The Express Dairy Company, London—has already got 60 ALKA machines running. In addition there are more than 230 ALKA machines used by other dairies in Great Britain, and the total output of all ALKA units there now exceeds 2 million bottles per hour. In Hongkong, after its recent introduction to the public by the SPA aerated water plant, several bottlers are seriously considering the advantages of using ALKA caps instead of crown corks.

According to comparative figures supplied by the ALKA system's Far East Agents—Elof Hansson Limited, Hongkong—a bottler who uses an ALKA cap with cork disc instead of a crown cork, and who has a production line of 14,500 bottles per hour, can save HK$110,000.00 per year. (See comparative calculation hereunder). During a special demonstration of the ALKA machine at the SPA plant, held by Mr. Eric af Wetterstedt and Mr. A. Peilitz, directors of Elof Hansson Ltd. (the latter technical ALKA expert to supervise installations of ALKA machines in the Far East), Mr. af Wetterstedt asserted that if a dairy uses the ALKA cap instead of the closure now employed in Hongkong it could save more than half a million HK dollars per year. This estimate is based on a daily production of about 100,000 half pint bottles of milk. It is not necessary to use a cork disc inside the cap for milk and non-carbonated liquids. The aluminium thickness can also be reduced to less than half the thickness required for carbonated drinks.

For the general public the ALKA cap guarantees the contents in the bottle from adulteration. The tamper-proof cap cannot be removed without being torn, and a torn cap cannot be replaced. No opener is necessary and even a child can tear it open by hand. Being made of 99.7% pure aluminium the ALKA cap will not rust. It fits tightly around the bottle mouth and does not hold dirt, thus keeping the pouring lip clean when the bottle is opened. As ALKA caps are drawn from disinfected aluminium strips, delivered in coils by the rolling mills, the surface which comes in touch with the liquid is always clean. With all these advantages the ALKA caps are fast gaining ground for the sealing of bottles all over the world.

Since 1760, cork stoppers were considered the best for sealing a bottle due to the fact that each cubic inch of cork consists of 200 to 400 million small cells, each filled with air and surrounded by walls impenetrable to moisture, and also possessing good tightening qualities. However, the increasing demand for cork stoppers provided a serious supply problem. As a result, the crown cork was invented in 1852 by an American, William Payntor of Baltimore, to replace the cylindrical stopper of natural cork. But the crown cork has its disadvantages. It frequently rusts, particularly in humid climate, and its crease, partly protruding edge, collects dirt which may fall in the bottle or in the drinking glass. Furthermore, it cannot be opened without a tool, nor is it entirely tamper-proof.

At the beginning of the 20th century a Swede, Josef Jonsson, tried to find a closure for bottles that would be hygienic, tamper-proof, easy to remove and cheap to make. The first cap-making and bottle-sealing machine was invented by Jonsson in 1925 and was called "ALKA Automatic Capping and Sealing Machine". "AL" was the abbreviation for aluminium, and "KA" for cap. It was installed in a Swedish mineral water factory at Linkoping. In this machine the ALKA cap is drawn from an aluminium strip, moved by compressed air to a capping head where it is held by suction or other means, until it is caught by a bottle. The sealing is then executed by means of a rubber ring. For the sealing of bottles containing carbonated low viscosity liquids, as for instance beer and lemonades, the caps are supplied with tightening inlays of cork. After years of research and trial the ALKA system has been further improved and perfected. A "spot" on the cork disc consisting of tin foil or impregnated paper now gives extra protection to those beverages which would otherwise be contaminated by the flavour of cork. An insertion of aluminium, waxed paper or similar material can be placed between the cork disc and the cap itself to strengthen the closure. A vast improvement was made in 1927 when ALKA designed a machine with 14 capping heads placed in a turret, thereby considerably increasing the capacity. Since then ALKA machines for still greater output have been devised.



The 15,000 bottles per hour ALKA Fully Automatic Cap-Making and Bottle-Sealing Machine.

The knowledge of the new system was spread through fairs and exhibitions. In Berlin in 1929 it attracted the interest of the Austrian brewers. A few years later, the ALKA system almost dominated the Austrian market. Swiss, Czechoslovakian, Yugoslavian and Dutch companies also ordered the fully automatic ALKA capping and sealing machines from Sweden. Last year in Sweden, an average of 63 ALKA caps were torn off every second, day and night, the whole year through. In Austria, sixty percent of all beer bottles were sealed with ALKA caps. Not counting smaller types of ALKA machines, there were more than 1,000

fully automatic ALKA units installed in various bottling industries in 27 countries throughout the world by the end of June last year. These machines are now sealing 17,520 million bottles with ALKA caps every year.

Hongkong is the 28th country in the World (the first in the Far East) to use the ALKA caps. The fully automatic unit now operating at the SPA bottling plant costs about HK$38,000 and can cap and seal up to 6,000 bottles per hour. It makes the caps by stamping them out from a strip of lacquered pure aluminium, provides them with embossing, inserts a cork disc with or without "spot" and then seals the bottles in one complete fully automatic operation. ALKA machines can be obtained for all capacities, from the smallest hand-operated capper working with pre-fabricated caps, to the speediest fully automatic cap producing and bottle sealing units capable of handling 15,000 bottles per hour (see photograph). As a rule the ALKA machine can be easily installed in the bottling line, even if the original filling machine is combined with a capper. This makes it very easy and economical for a bottler to switch over to the ALKA system.

The aluminium strip used for the ALKA caps contain 99.7% pure aluminium, and each roll consists of one single linked-up length with no breaks whatsoever. It must also be treated to withstand oxidation. Such strip can be obtained from most of the leading aluminium rolling mills in Canada, Europe and also Japan. The ALKA concern also operates large cork forests and factories of its own in Portugal since 1911, now largely specializing in the supply of every type of cork disc for the ALKA machine owners. It seems safe to predict that before long, bottlers throughout the Far East would take advantage of the tamper-proof ALKA caps, for economy and protection against adulteration of bottled products.

Comparative calculation for annual operation

of

CROWN CORKS versus ALKA CAPS

(14,500 bottles per hour line)

		One Crown Cork High Capacity Line	One ALKA CAP High Capacity Line
1.	Calculated hourly capacity	14,500 b/h	14,500 b/h
2.	Efficiency	100 %	96.88 % (*)
3.	Net hourly capacity	14,500 b/h	14,047 b/h
4.	Daily production: 8 hours	116,000 bottles	112,376 bottles
5.	Annual production: 300 days	34,800,000 bottles	33,712,800 bottles
6.	Appr. price in Hongkong per 1,000 closures	HK$ 10.75 (a)	HK$ 7.60 (b)
7.	Annual cost for closures	HK$374,100.00	HK$256,217.00
8.	Annual comparative cost for 34,800.00 closures	HK$374,100.00	HK$264,480.00
9.	Equalization of the annual working hours of the ALKA line at 15 minutes per working day (*)		10 days
10.	Equalization of the annual capacity of the ALKA line		1,087,200 caps
11.	Wages per line and day, 7 girls at HK$5.00	HK$ 35.00	HK$ 35.00
12.	Equalization of the annual wages for the ALKA line		HK$ 350.00
13.	Annual total expenses	HK$384,000.00	HK$275,330.00 (c)
14.	Difference to the advantage of the ALKA CAP, per year		HK$109,270.00

(*) The slightly lower efficiency of the ALKA line is due to the fact that it is necessary to reload the aluminium strip coil after every 6,000 bottles (an interruption of about 15 minutes per working day). See 9, 10 and 11 for compensation.

(a) Based on price (Sh. 1/11 per gross c.i.f. Hongkong) for a first-class Crown Cork with Composition Cork Disc inlay, and decorated in two colours.

(b) Based on prices c.i.f. Hongkong for 905 grams (= 1,000 ALKA caps) of 46 x 0.18 mm Synchronized Aluminium Strip decorated in three colours (HK$5.57), and best quality mouldproof and paraffined Composition Cork Discs (HK$2.03). Hereby it has not been taken into account that the bottler can resell to scrap-dealers 26.1% (= 17,416 lbs.) of Aluminium waste resulting at manufacture of the caps which represents still another saving, additional to item 14.

(c) Cap price + annual wages + equalization of the annual wages (HK$264,480.00 + 10,500.00 + 350.00 = HK$275,330.00).
Exchange rates for the above calculation: £1/0/0 = HK$16. US$1 = HK$5.71.

HONGKONG SHARE MARKET

Trading slowed down on Friday after active demand for shares recorded a total turnover of HK$4.7 million during the week. HK Banks, HK Ropes, Watsons and Yaumati Ferries registered improvements while utilities remained dull. The undertone was fairly steady.

Market developments during last week:

Monday: After a slow start, the market was again active with a steady demand for shares. Chief interest was focussed on Wharves, Providents and Docks all of which made good gains. H.K. Banks maintained their support and forged further ahead. Utilities, Lands and the Wheelock group was dull with prices about the same. Turnover for the day amounted to $1,374,000 and the undertone at the close was steady. **Tuesday:** The market ruled steady with a fair volume of business passing. With speculators searching new fields, some of the more neglected counters were now receiving attention and being carried along in the general upward trend. H.K. Ropes, in particular, made an appreciable advance to $17.20, whilst Watsons closed with unsatisfied buyers at $17. Union Insurances were strong with buyers offering $910, whilst H.K. Banks again improved. The undertone at the close was steady to firm, and the turnover for the day approximately $1,000,000. **Wednesday:** After the recent activity market conditions were quiet throughout the half-day session. With the exception of Watsons which tacked on a gain of $1 to Tuesday's price there were no significant changes in rates. The main volume of business was transacted in Humphreys Estates where 10,000 shares changed hands. Elsewhere enquiry was on a light scale only but the undertone remained quite steady. The turnover amounted to approximately $600,000. **Thursday:** There was a quick revival of interest on the market after Wednesday's slight pause. The volume of business which increased quite appreciably was also well spread.

(Continued on Page 288)

CHINA FOREIGN TRADE STATISTICS 1952-1953

Following statistics on China's Foreign Trade with Japan, West Germany, France, Italy and the United Kingdom were compiled from figures of the "Economist Intelligence Unit", London, while the Trade figures of HK were compiled by the Hongkong Government:

CHINESE EXPORTS TO JAPAN	1952	1953
	(Million Yen)	
Grain, food and kindred products	318.3	1,255.1
Fibres and textiles	8.1	447.1
Animal and vegetable products	2.0	53.7
Petroleum, oils, fats and waxes	572.1	1,136.5
Chemicals and chemical materials	—	2.0
Metallic minerals and metals	70.5	—
Non-metallic minerals and coal	228.6	1,103.1
Medical supplies and equipment	11.1	15.2
All other articles	3.0	17.4
Total (Mn. Yen)	1,213.7	4,030.1
(Mn. US$—Yen 361 to US$1)	3.4	11.2

CHINESE IMPORTS FROM JAPAN	1952	1953
	(Million Yen)	
Food and beverages	70.5	261.6
Textiles and fibre products	87.9	207.8
Lumber and wood products	8.3	—
Animal and vegetable products	—	6.1
Chemicals	—	275.8
Metal and metal products	0.7	12.2
Machinery	51.8	343.7
All other articles	5.4	6.0
Total (Mn. Yen)	224.6	1,113.2
(Mn. US$—Yen 361 to US$1)	0.6	3.1

CHINESE IMPORTS FROM WEST GERMANY	1952	1953
	(US$'000)	
Inorganic chemicals	28	200
Organic chemicals	15	2,585
Coal tar dyestuffs, etc/	—	1,682
Pigments, paints etc.	—	16
Dyeing, tanning extracts	—	1
Medical & pharmaceutical products	62	1,598
Fertilisers	—	65
Chemical products, nes.	—	216
Rubber manufactures	—	30
Paper and paper boards	—	103
Paper, etc., manufactures	—	13
Yarn and thread	—	96
Miscellaneous textile fabrics	—	4
Mineral manufactures, nes.	—	41
Glassware	—	6
Iron and steel	163	9,110
Aluminium	260	562
Manufactures of metal, nes.	30	702
Power generating machinery	—	92
Office machinery	—	131
Metal working machinery	—	754
Other machinery	28	344
Electric machinery	245	2,510
Road motor vehicles	—	119
Road vehicles, nes.	—	72
Building fixtures	—	175
Furniture and fixtures	—	7
Scientific etc., instruments	104	3,493
Photographic goods	—	42
Musical instruments	—	8
Printed matter	—	23
Manufactured goods, nes.	—	225
Total (US$'000)	935	25,025

CHINESE EXPORTS TO WEST GERMANY	1952	1953
	(US$'000)	
Meat and preparations	14	334
Eggs	385	4,597
Maize	—	188
Fruit preparations	45	103
Vegetables	35	1,319
Tea	—	17
Spices	—	32
Feeding-stuffs	—	127
Tobacco, unmanufactured	—	46
Hides and skins	17	163
Oilseeds, etc.	374	14,547
Silk	—	219
Wool and other hair	19	433
Cotton	—	53
Vegetable fibres, nes.	40	38
Non-ferrous base metal ores	—	21
Animal materials, nes.	243	3,831
Vegetable materials, nes.	—	187
Vegetable oils	465	4,713
Organic chemicals	17	137
Essential oils	29	77
Chemical materials and products, nes.	125	975
Dressed furs, etc.	—	335
Wood manufactures, nes.	—	3
Miscellaneous textile fabrics	19	165
Pottery	—	15
Precious stones, pearls etc.	—	29
Metal manufactures, nes.	—	5
Tin	12	—
Clothing	—	24
Manufactured goods, nes.	52	484
Total (US$'000)	1,891	33,217

CHINESE EXPORTS TO FRANCE:	1952	1953
	(Mn. Francs)	
Milk, butter, cheese, eggs, etc.	67.5	90.7
Other animal produce	273.9	721.7
Coffee, tea, spices	24.0	39.9
Maize	—	620.1
Oilseeds, nuts, etc.	92.1	237.8
Tanning materials	21.4	33.2
Vegetable oils	253.4	247.9
Organic chemical products	25.1	28.1
Essential oils, etc.	292.1	302.7
Albuminous materials	67.9	—
Products of fats, gum, etc.	—	143.6
Hides and skins	46.6	57.9
Manufactures of esparto and basket-work	—	13.6
Silk, flax & ramie	219.6	271.4
Textile yarns	330.9	862.8
Hats	51.5	157.5
All other articles	188.2	32.5
Total (Mn. Francs)	1,954.2	3,861.4
(Mn. US$)	5.6	11.0

CHINESE IMPORTS FROM FRANCE:	1952	1953
	(Mn. Francs)	
Beverages	6.1	—
Inorganic chemical products	136.9	—
Organic chemical products	3.8	136.8
Chemical fertilisers	250.5	—
Pharmaceuticals	—	125.6
Films, sensitive surfaces	6.5	—
Rubber and manufactures	7.9	—
Wood and products	3.3	—
Wool	—	113.9
Woollen fabrics	1.4	—

	1952	1953
	(Mn. Francs)	
Cotton fabrics	0.8	—
Textile yarns	—	21.0
Plate glass	6.3	—
Sheet-iron or steel	555.4	—
Cast-iron, iron and steel	—	3,334.3
Wire, roll and tube products of cast-iron, iron or steel	65.2	—
Boilers, motors, pumps and compressors	6.2	131.9
Tools for machines and hand-tools	10.3	—
Electrical apparatus	1.3	—
Automobiles, cycles, etc.	8.2	—
Computors, measuring apparatus, etc.	5.7	—
Metal goods, tubs, pointed articles, etc.	—	11.9
Machine-tools and parts	—	190.5
Generators, motors, electric transformers, etc.	—	58.5
Optical goods, scientific instruments, etc.	—	52.4
Products of the distillation of wood, etc.	—	79.1
All other articles	74.3	79.6
Total (Mn. Francs)	1,150.1	4,335.5
(Mn. US$)	3.2	12.4

CHINESE EXPORTS TO ITALY:

	1952	1953
	(Mn. Lire)	
Maize	41.1	—
Dried vegetables, etc.	2.0	46.0
Oilseeds and fruits	374.4	1,535.0
Medicinal vegetable materials	17.2	43.1
Eggs	43.9	207.0
Edible oils and greases	271.9	1,615.8
Industrial oils and greases	50.2	340.3
Raw skins	29.1	19.5
Other non-edible materials	71.3	185.5
Silk, raw and waste	103.0	362.2
Straw hats and similar straw products	29.1	19.6
Apparel	100.1	130.7
Miscellaneous chemical products	160.6	60.4
All other articles	56.1	81.0
Total (Mn. Lire)	1,350.0	4,646.1
(Mn. US$)	2.2	7.4

CHINESE IMPORTS FROM ITALY:

	1952	1953
	(Mn. Lire)	
Cotton Yarns	185.0	—
Artificial textile yarns and waste	1,058.3	738.6
Swen woollen articles	109.9	312.9
Mechanical precision instruments	0.3	65.6
Chemical fertilisers	789.7	1,583.5
Pharmaceuticals	5.8	31.6
Paints, dyes, enamels	—	113.9
Inorganic chemical products	32.5	0.6
Organic chemical products	—	60.9
All other articles	101.6	44.2
Total (Mn. Lire)	2,283.1	2,951.8
(Mn. US$)	3.7	4.7

UK EXPORTS TO CHINA (in £'000)

	Jan.-April 1953	Jan.-April 1954
Wool and other animal hair, raw, tops and waste	719	749
Chemicals, drugs, dyes, plastics, etc.	617	200
Machinery, excluding electric	511	506
All other articles	570	271
Exports Total	2,417	1,726
Re-Exports Total	27	23

UK IMPORTS FROM CHINA (in £'000)

	Jan.-April 1953	Jan.-April 1954
Dairy products, eggs and honey	721	912
Cereals and preparations	12	—
Feeding-stuffs for animals	48	3
Oil-seeds, nuts and kernels for oil	60	5
Wool and other animal hair, raw, tops and waste	627	694
Miscellaneous crude animal and vegetable materials inedible	272	482
Animal and vegetable oils, fats, greases and derivatives	245	163
Miscellaneous textile manufactures	74	122
All other articles	216	440
Imports Total	2,275	2,821

U.K. EXPORTS TO CHINA 1950/53 (£'000)

	1950	1951	1952	1953
Iron and steel manufactures	515	328	39	95
Electrical goods and apparatus	89	377	42	112
Machinery and parts	766	655	568	902
Woollen and worsted yarns and manufactures	348	402	825	3,290
Chemicals, drugs, dyes and colours	234	344	2,771	829
Vehicles (including locomotives, ships and aircraft)	151	167	12	3
All other articles	1,484	404	284	930
Total	3,587	2,677	4,541	6,161
Re-Exports—Total	4	20	40	104

U.K. IMPORTS FROM CHINA 1950/53 (£'000)

	1950	1951	1952	1953
Tea	79	28	—	—
Grain and flour	1,714	1,489	743	540
Feeding-stuffs for animals	529	793	427	276
Dairy produce	4,768	1,136	867	3,985
Silk, raw and waste, and art. silk waste	65	133	4	27
Tung oil	473	109	101	529
Other seeds and nuts for oil, oils, fats, resins and gums	271	1,573	305	1,791
Raw hair	568	285	9	1,693
Bristles	620	362	15	477
All other articles	1,237	1,762	541	978
Total	10,324	7,670	3,012	10,296

CHINESE EXPORTS TO HK:

	Jan.-June 1953	Jan.-June 1954
	(Mn. HK$)	
Bovine cattle, including buffaloes	—	4.1
Swine	38.7	39.9
Poultry, live	11.0	14.5
Eggs in the shell	29.5	28.5
Fresh water fish, fresh, chilled or frozen	5.7	5.0
Crustacea and molluscs, salted, dried or pickled (not canned)	0.7	2.3
Macaroni, spaghetti, noodles, vermicelli and similar preparations	6.1	6.4
Beans, dried (except soya beans)	30.7	3.1
Fresh vegetables	10.4	13.8
Tea	7.6	5.9
Spices, except pepper and pimento	1.6	5.9
Soyabeans	5.8	3.9
Raw silk (not thrown) in hanks or in skeins	5.6	5.3
Feathers	0.9	4.1
Plants, seeds, flowers and parts of plants, (other than betelnuts, cassia and ginseng), chiefly used in the manufacture of Chinese medicine	24.7	18.2
Paper and paperboard, n.e.s.	6.8	5.7
Fabrics, wholly of silk	7.9	6.3
Bed linen, table linen and toilet linen (including towels), embroidered	10.3	11.3
All other articles	282.0	118.9
Total (Mn. HK$)	485.0	303.1

CHINESE IMPORTS FROM HK:

	Jan.-June 1953	1954
	(Mn. HK$)	
Organic compounds, n.e.s.	7.5	4.6
Coal-tar dyestuffs, other than indigo	31.9	37.8
Antibiotics	65.7	10.7
Pharmaceutical products, n.e.s. (other than of Chinese manufacture)	27.1	10.2
Sulphate of ammonia	27.9	48.8
Gunny bags, new or used	1.1	2.9
All other items	202.8	67.0
Total (Mn. HK$)	364.0	182.0

HK-CHINA TRADE (1949-1953)

	HK Exports to China (Mn. HK$)	China Exports to HK (Mn. HK$)
1949	585.4	592.9
1950	1,461.5	837.9
1951	1,603.0	860.0
1952	520.0	830.3
1953	540.3	857.1

(Continued from Page 285)

Counters which had attracted attention maintained their demand and for the most part prices were unchanged. Watsons made further improvement to $18.20 whilst Yaumati Ferries rose to $155 on steady demand. Wheelocks made a good recovery to $7.55 but yielded some ground during the afternoon session. Lands were a shade firmer but Utilities dull. Messrs. A. R. Burkill & Sons (HK) Ltd., the General Managers of Amalgamated Rubber Estates Ltd. announced that the output from the Estates for the month of July 1954 amounted to 575,520 lbs. The turnover for the day was approximately $1,100,000 and the undertone at the close steady. **Friday:** The tempo of trading became quieter as small scale profit-taking set in towards the close of the morning session. As a result Wharves, Docks, Providents, Hotels and Yaumati Ferries were fractionally lower. Elsewhere prices were unchanged but the volume of business was small. Turnover for the day was approximately $800,000. The undertone at the close was fairly steady.

NOTICE

HONGKONG TRAMWAYS LIMITED

Notice is hereby given that an Interim Dividend of 40 cents per share, less tax, has been declared in respect of the year ending 31st December 1954.

This dividend will be payable on or after Tuesday, 28th September 1954, at the Registered Office of the Company, where Shareholders are requested to apply for warrants.

Notice is hereby also given that the Register of Members of the Company will be closed from Tuesday, 21st September, to Tuesday, 28th September 1954, both days inclusive.

By Order of the Board,
W. H. PATERSON,
Secretary.

Hongkong,
20th August, 1954.

NOTICE

THE HONGKONG ELECTRIC CO., LTD.

Notice to Shareholders

NOTICE IS HEREBY GIVEN that an **Interim Dividend** in respect of the year 1954 of 70 cents per share, free of tax, has been declared payable on and after 17th September 1954.

Applications for Dividend Warrants should be made either personally or by letter to the Registered Office of the Company, P. & O. Building, 4th Floor.

The Register of Members of the Company will be closed from the 3rd day of September 1954 to the 17th day of September 1954, both days inclusive.

By Order of the Board,
Gibb, Livingston & Co., Ltd.,
Agents.

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Published and edited by **ERIC E. HALPERN** for and on behalf of The Far Eastern Economic Review Ltd., at 322, Queen's Building, Victoria, Hongkong.—Telephone: 32429. Cables: Ficom.

The Far Eastern Economic Review is published weekly and printed in Hongkong by the Graphic Press Ltd., 4, Queen's Road, C. **Tel. 36731.**

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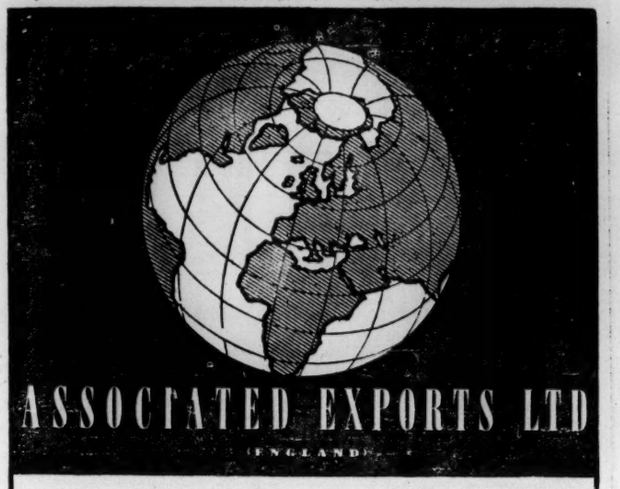

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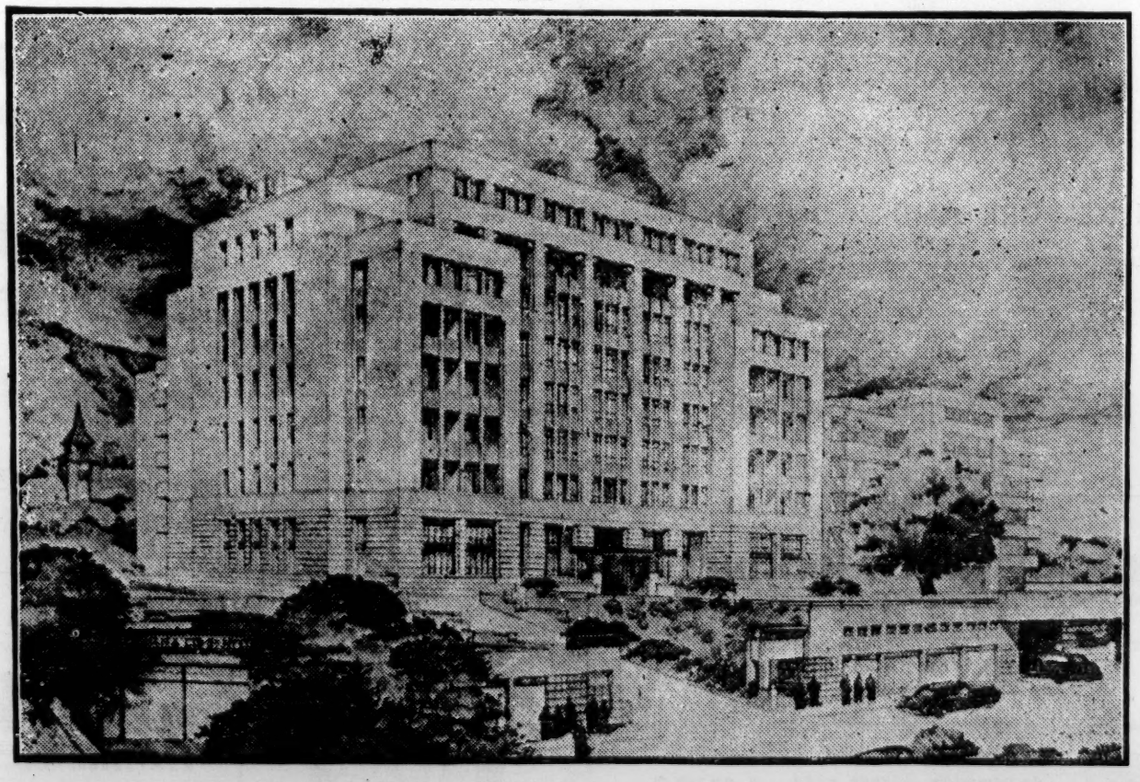

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